

**FACTORS AFFECTING THE COMPETITIVENESS OF**  
**SMALLER FIRMS IN THE UK.**

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## **Abstract.**

This thesis presents an overview of published material drawn from original work focused upon issues pertaining to smaller firm sustainability and competitiveness. The refereed articles and the book chapter were completed during the period 1992 to 2000. Whilst each paper has a specific substantive, methodological, policy and theoretical format, overall they combine to draw attention to a number of issues which critically affect the competitiveness of smaller businesses. To explore the contribution made by the papers which constitute this thesis, the discussion describes and critically analyses the contemporary growth of the smaller firm sector since the 1970s. It cites the papers within this debate, critically evaluates the methodologies utilised and explores the unique contributions of this body of work whilst also recognising limitations and weaknesses. This thesis emphasises the heterogeneity of the smaller firm sector, the manner in which ascribed social characteristics will impact upon the experience of self employment and how the interpretation and application of management theory and practice arise from a complex perception of the macro and micro environment of the firm. It is recognised that a huge range of issues affect the sustainability of smaller firms but it is argued that this discussion makes a substantial contribution to this debate and whilst wide in its focus, this thesis forms a coherent overview of issues pertaining to smaller firm competitiveness and durability.

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## **Chapter One.**

### **Introduction.**

This thesis draws upon a number of previously published works which examine the competitiveness of smaller firms within the contemporary British economy. As such, the thesis acts as an overview of these papers demonstrating their linking strands regarding the complementary nature and coherence of the work. The number of people in self employment in the UK has more than doubled since the late 1970s (Brooksbank, 2000). This expansion in self employment and smaller firm ownership means that this sector of the economy now has a critical role in terms of creating wealth and offering employment. In recognition of such change, government policy and academic scrutiny has increasingly focused upon smaller firms and their impact upon the British economy (Curran and Blackburn, 2001). Since the early 1980s, successive Conservative governments have overtly encouraged the growth of self employment through dedicated policies to support new, smaller enterprises (Storey, 1994). The myriad of schemes devised by Conservative governments, from the Enterprise Allowance scheme to Enterprise Support Programmes is testament to a political will to grow new, smaller firms to foster a more entrepreneurial nation in a context of economic restructuring (Deakins, 1996). It is also apparent that the change in government in 1997, to that of successive Labour administrations, has not undermined support for the sector. This is reflected in such initiatives as the Small Business Service, a discrete department within the DTI sponsoring research, positive responses to smaller firm pressure groups and fiscal initiatives such as corporation tax relief for smaller enterprises (Inland Revenue, 2001).



As political attention in the 1980s increasingly focused upon self employment and the creation of new, smaller firms as a solution to a number of social and economic problems, so too did academic attention. It would be fair to comment that prior to the 1980s, the smaller firm sector commanded relatively little attention or investment from the research community (Stanworth and Gray, 1991). However, as the sector was purposely singled out for government attention, academic resources were increasingly invested in examining the performance of smaller firms. Initially, this activity was largely focused upon issues of failure and growth - a reasonable response to the trend of enlargement within the sector, particularly where a primary government aim was to create new employment (Storey *et al.* 1987). This research however, suggested that much of the government's efforts to 'grow' a buoyant sector of smaller firms creating new job opportunities and a new strata of entrepreneurs was not succeeding. Rather, most smaller firms were destined to fail after a relatively short and volatile existence (Storey *et al.* 1987). Moreover, it was also recognised that whilst smaller firms may share the common denominator of a size descriptor, the sector is highly heterogeneous and performance outcomes are sensitive to a range of complex and interacting influences (Freel, 1998).

In recognition that the survival, durability, growth and hence competitive position of any firm depends upon a wide range of factors, the scholarly investigation into the performance of smaller firms has developed in both breadth and scope since the 1980s. The research which supports this thesis, undertaken since the early 1990s, reflects the growing awareness of the complexities which underlie both the survival and performance of smaller firms. It is argued that the specific context of the enterprise itself will be a critical influence upon both development and sustainability in the contemporary economy.

So for example, in Marlow (1992) it is argued that the ethnicity of a firm's owner/manager will have a critical effect upon the performance of that firm. Developing this theme, that ownership characteristics are highly influential upon firm durability and sustainability, research sponsored by the ESRC found that the gender of a business owner will affect the development and performance of that enterprise (Marlow and Strange, 1994; Marlow, 1997). The recognition that gender, like ethnicity, is a categorisation used to ascribe specific characteristics to a group has been the subject of debate and investigation for some considerable time (Bradley, 1999). Yet, theoretical analyses of gender subordination have only rarely been used to inform accounts of female self employment (Mirchandani, 1999). It would appear that there is a prototype small firm owner and he is male. The studies informing the work by Marlow and Strange (1994) and Marlow (1997), establishes that this is a false premise and patriarchal definitions of business success and performance targets must be challenged.

The final area of consideration for this thesis is that of managerial policies and approaches. Taking the examples of strategic management, it is suggested that smaller firms have been largely excluded from this debate (Marlow, 2000). As most smaller firms are price takers rather than givers (Storey, 1994) they have limited scope to strategically influence markets, their volatile existence makes long term strategic planning irrational and moreover, most do not have the managerial sophistication to generate complex strategies. Yet, it has been argued that strategic management is in fact far more short term and reactive than had previously been believed (Minzberg, 1994). So, modern strategic positioning recognises the concept of 'emergence' where strategies are short term, flexible and reactive. It is argued that this model reflects the managerial processes evident in many smaller firms. Based on empirical evidence, the work by Marlow (2000) demonstrates that strategic processes are at



work in smaller firms but they would appear to be nascent and relatively under-developed raising the definitional issue of when 'emergent' spills over into 'ad hoc'.

There has been considerable discussion during the 1990s regarding why smaller firms are less likely to invest in employee development (see Atkinson and Meager, 1994; Westhead and Storey, 1997) and the impact this might have upon the national profile of skill attainment and skill enlargement. Marlow (1998) argues that rather than analyse the failure of owners to invest in employee development as a supply side issue, it should be conceptualised as a demand issue. If the overall context of the firm is assessed, it can be seen that elements specific to the enterprise, such as sector, markets and labour supply will impact upon the training and development strategy of the firm. Developing this analysis further, Patton, Marlow and Hannon (2000) review the debate concerning causality between employee development and firm performance. It is argued that attempting to identify such causal relations, and then utilising them as a justification for investment in training and development is a relatively pointless exercise, largely because of the methodological challenge of allocating causality to a specific variable.

Overall, this thesis recognises that the performance and competitiveness of smaller firms is a complex and dynamic issue which will be influenced by a range of factors. Within the analysis and investigation of smaller firm performance and competitiveness, it is critical to recognise and comprehend how such factors impact upon this aspect. It is no longer sufficient to presume that the dependent variable in the understanding of the smaller firm sector and self employment is the size of the business. Rather, this should be seen as a contingent factor which will interact with extraneous influences, such as those explored in this collection of papers i.e., gender, race and managerial practices, to create a specific

performance context for the firm. The papers underpinning this thesis emphasise that firm performance and competitiveness are not a linear process whereby firms make step increments in an ordered fashion. Rather, these aspects are better understood as a fluctuating process which draws upon a wide range of interactive factors. This is both recognised and demonstrated in these collected works by Marlow which explore a number of issues which impact upon a firm's position within the market.

Whilst the critical focus of this thesis is upon the manner in which certain factors affect the competitiveness of smaller firms, it is necessary to offer a context for the work and also a close examination of the methods employed to analyse the discrete issues explored.

Consequently, the thesis is arranged as followed. Commencing with a discussion of the changing structure of the smaller firm sector over recent years, there will then be a critical evaluation of the papers included in the thesis. This will be followed by discussion and critical analyses of the methodologies employed within the papers. Having examined the existing work in some detail, an assessment of the contribution made by these papers will be offered and finally, a retrospective consideration of limitations, challenges and further opportunities arising from the body of research will be identified and discussed.



## **Chapter Two.**

### **The changing context of smaller firms in the contemporary British economy.**

There are many ways of determining whether you work for a big business or a small business. Delaying in big company means sacking thousands of people, in a small company it means Miss Gannet removing her cardigan. Big companies manage international currency fluctuations, small companies don't have change for a twenty. If you have a magnetic swipe card to let you into the building, it's a big company; but if you have to fork the key out of the cat litter by the back door, it's a very good bet that it isn't.

(Browning, 1997:82)

The papers which underpin this thesis focus upon firm size as a defining feature with differing aspects and issues relating to smaller firms explored at some length. However, the notion of 'smallness' remains under explored and somewhat taken for granted. This has been recognised as a definitional problem for some time with Burrows and Curran (1989:530) noting there is a 'tendency to develop a perspective which bestows a uniformity of characteristics across an otherwise vague collection of economic units'. From any review of the extant literature pertaining to smaller organisations, it is evident that there is a disparate range of criteria applied to firms in an effort to define them through the notion of size (Atkins and Lowe, 1997). So, for example, to qualify for inclusion in this particular sector, firms have been defined by employee numbers, financial turnover, market share, ownership structure/autonomy, organisational formality, experience of market uncertainty etc (see Storey, 1994; Carter and Jones Evans, 2000; Curran and Blackburn, 2001). Frequently, such measures are used on a multiple basis with the aim of demonstrating greater robustness but given the unrelated, indeterminate nature of the labels applied, the criteria would instead, appear to represent methodological convenience. The emphasis has been upon the activity of the organisation itself without consideration of how the basic unit of study is constructed.



Furthermore, in the effort to create a 'bounded' area of smaller firm research, there has been an over emphasis on economic and performance related criteria useful, perhaps, for policy formation but limited in exploring the complexity and heterogeneity of the sector.

Moreover, the focus upon harder measures of size have ignored the social setting of the organisation and the perceptions of those actually working for such firms. This issue has been recognised to some extent. Research by Curran *et al.* (1992:17) used a number of quantitative definitions to define their sample but also developed a grounded approach by seeking the perceptions of respondents regarding the size of the firm. It was argued that this facilitated the generation of a 'sector consensus' regarding size which was then translated into quantitative terms to operationalise the concepts. To some extent, this demonstrates a greater sensitivity to the problem of size definitions but, by the creation of categories runs the risk of presuming homogeneity and so treating each case as equal. This is a real challenge for research on smaller firms - the limitations and impracticality of taking each firm as an individual entity are evident but equally, drawing conclusions and generalisations from questionable definitions is problematic.

One possible way of addressing this problem has been noted by Burrows and Curran (1989), who argue that the size of a firm might more usefully be perceived as a contingent variable rather than the defining characteristic of a firm. As such, it is argued that a number of influences shape the manner in which a firm operates - indeed, those of gender and race are specifically noted in this thesis. So it may be that offering firm size, however defined, primacy over all other factors is based on a false premise. As Curran and Blackburn (2001:16) state, 'this is not to say that size has no influence but merely that it is one of a range of possible factors which can shape the firm'. There is no easy or obvious solution to this problem, but there would appear to be a number of approaches which might be observed

to contribute to this debate whilst acknowledging this particular challenge. For example, the recent growth in qualitative research has seen greater discussion and exploration of sample identification and structure - greater engagement with this issue contributes to the understanding of what it means to be a smaller firm. Added to this, recent work in organisational behaviour has drawn attention to the social and cultural environment of smaller organisations which can be contrasted with those of larger companies (Taylor, 1999; Zafirovski, 1999).

However, there is a particular problem within the field of smaller firm research given that much of the research agenda has been set and indeed, funded by government agencies whose remit is to establish wider trends based upon generalisations. So, there is a tension between the need to ground definitions in qualitative perceptions of the subjects under study and the imperative to gain broader based insight into sector performance utilising quantitative measures. It can be seen that, even in this very brief thesis, agreement regarding what actually constitutes a smaller firm is fluid and subject to a wide range of influences. In contemporary research, it would appear that a consensus has emerged upon a broad quantitative definition of the sector, reflected in EU categorisation, focused exclusively upon employee numbers:

♣ micro firms	< than 10 employees
♣ small firms	11 < 100
♣ medium firms	101 < 500

(source: Deakins, 1996; p. 35).

Such an agreed definition facilitates a useable quantitative description of the sector which might then be used for comparative purposes over time and location, but does not reflect the heterogeneity or fluidity of the sector. In recognition of the limitations of broad categorisation, it is now more usual for researchers to qualify their choice of descriptor



somewhat, based upon other relevant characteristics specific to the sample used, such as sector influence or owner perception. As such, more sophisticated and satisfactory definitions are now more in evidence.

Whilst there still remains some debate regarding how to categorise smaller firms, there can be no argument that, however defined, the sector has grown in terms of actual numbers of firms and contribution to macro economic performance over recent years. Figures from the Department of Trade and Industry [DTI], (1999) indicate that in 1998, firms classed as micro, small or medium, according to the EU definition, constituted 99.8% of all private sector businesses in the UK (Small Firm Statistics Unit). Numerical dominance should not be automatically associated with performance dominance. However, the DTI evidence does suggest that smaller firms are more important than their larger counterparts in terms of both job provision and turnover in the private sector. So, as Curran and Blackburn state, 'it is difficult to argue that SMEs or small and micro businesses are marginal to the UK economy and any assessment of its functioning cannot ignore them' (2001; p. 3). It is apparent that the number, role and importance of smaller firms has changed considerably over a relatively short period of time. In the early 1970s, the Bolton Report (1971) which considered the performance of smaller firms suggested that the sector might be in terminal decline yet, only thirty years later it is buoyant, occupying a critical role in the modern economy.

A number of sources (Coyne and Binks, 1982; Stanworth and Gray, 1991; Storey, 1994; Deakins, 1996) note the decline in both the number of smaller firms and their contribution to the economy from early in the twentieth century until the 1970s. Undoubtedly, throughout the last century, the focus upon centralisation and concentration of mass production for mass markets ensured the growth of large enterprises. Smaller firms were deemed to be out-moded

and inefficient economic forms. They were viewed as firms which had not managed to develop into larger enterprises so were, in the modern sense, economic and market failures (Penrose, 1959). Alternatively, they persisted in niche markets where economies of scale excluded large capital so, by definition, were trapped within the bounds of petty bourgeoisie ownership and accompanying production attitudes and market constraints.

The trend for smaller firm decline has reversed dramatically since the 1970s. There is a common presumption that the change in the fortunes of the sector began with the election of the Thatcher Government in 1979. However, the evidence would indicate that the sector began to expand during the 1970s (Coyne and Binks, 1982). Given that the British economy was still focused on large capital, mass markets and Fordist production methods, it appears somewhat paradoxical that the small firm sector should revive at this particular point. A closer examination of economic trends and large firm performance during the 1970s indicates growing problems with macro economic management as the emergence of global recession and fluctuating oil prices impacted upon markets. Moreover, it can be seen that the Labour government of the late 1970s was already toying with monetarist ideas as a solution to growing economic problems thus, moving away marginally from a collectivist ethos (Hutton, 1995). It would appear therefore, that the inertial lag inherent in large capital when attempting to change production methods to satisfy changing markets, plus increasing costs undermining economies of scale, created an environment more conducive for the emergence of smaller firms (Coyne and Binks, 1982). The growth in global economic restructuring of large capital and excessive market volatility gathered pace in the 1980s, creating further scope for growth in the smaller firm sector. In the particular case of the UK, there can be no doubt that this growth was accelerated by the supportive philosophies and policies of successive Conservative governments, elected from 1979 to the late 1990s.



Hence, interaction of macro economic change combined with the actions of successively elected centre right political administrations served to further encourage the growth of new, smaller enterprises in Britain.

For the sake of brevity, the major initiatives supported or orchestrated by these governments which encouraged the growth of the sector are summarised as:

- a belief in the potential for new, smaller firms to create new jobs. Although now somewhat discredited, the then acclaimed study of job creation in smaller firms in the US by Birch (1979) suggested that such firms created the vast majority of new jobs in the economy
- philosophically, the government was steeped in a belief of the value of free markets, individualism and self reliance; a clear break with the post war British tradition of collectivity. Smaller firm owners were seen to be the embodiment of such individualism
- the extremely volatile industrial relations climate of the 1960s and 1970s was associated with collective labour representation within the context of large, manufacturing capital. Smaller firms however, as described within the Bolton Report of 1971, were believed to enjoy conflict free, harmonious, individualised labour relations. Hence, it was hoped that the growth of the sector would underpin a new era of employee relations, free from trade union influence and associated industrial strife
- the policy of privatisation of public utilities created a new era of competitiveness and large firm reconstruction. Whilst this process had a number of complex economic and social repercussions, it did act to offer new opportunities for the development of new smaller firms. As the nationalised industries were dismantled, room was made for new competitors in previously monopolised sectors and so, new opportunities became

available for sub contract firms. Equally, competitive tendering for services previously undertaken by the public sector created new markets for sub contractors whilst newly redundant labour was encouraged into self employment to offer such services.

- in keeping with their articulated desire to create a new entrepreneurial society, governments of the 1980s offered the unemployed financial incentives, for example the Enterprise Allowance Scheme, to enter into self employment
- the substantial decline in the manufacturing sector in the 1980s was accelerated in the UK by the reluctance of Conservative administrations to offer support to ailing industries. The ensuing contraction of manufacturing made a substantial contribution to the mass unemployment of the early and mid 1980s. Meanwhile, the growing demand for private sector services, as contracting out, changing consumer demands and de-regulatory policies impacted upon the market, drew substantial numbers of the unemployed towards self employment or prompted them to seek employment in smaller, service sector firms
- the overall de-regulatory stance of 1980s Conservatism made it easier to begin a new enterprise whilst policies regarding financial provision and services ensured that new sources of finance and easier access to funding was available for those considering self employment. Changes in tax regimes, such as that in corporation tax also relaxed regulatory burden on smaller firms
- to operationalise support for the start-up of new smaller firms, successive Conservative administrations developed a range of policy initiatives at local and national level through public and privately funded advisory agencies

Sources: Coyne and Binks, 1982; Storey *et al.* 1987, Stanworth and Gray, 1991; Deakins, 1996; Carter and Jones-Evans, 2000.



This is a very brief synopsis of the prevailing political initiatives and policies which underpinned the noticeable growth of new, smaller firms in the UK during the 1980s. Such growth however, is cited within larger, global economic changes. It has already been noted that the revival of the sector actually began in the 1970s, prior to the election of the first Conservative government of the contemporary era in 1979. Indeed, it is argued that the success of recent Conservative policies in expanding the number of new, smaller firms must be viewed within an analysis of wider economic shifts (Coyne and Binks, 1982: Amin and Roberts, 1990: Stanworth and Gray, 1991). Two major theoretical analyses, the 'regulationist' or 'fragmentation' school and the 'institutionalist' or 'flexible specialisation' thesis offer competing explanations for such shifts. It is not the intention to critically evaluate these theories per se, but rather, to note their contribution to the explanation for the development of the smaller firm sector, particularly in the UK.

Regulationist theorists (see Aglietta, 1979; Boyer, 1990; Overbeck, 1993; for example) argue that the prevalence of Fordism, as a method of production and market construction, has acted to regulate economic and labour management in the 20<sup>th</sup> century. However, crises of competition emerged in the latter years of the century. This has occurred as possibilities for new mass markets have diminished with eroding opportunities for traditional openings as consumer demands have changed. Meanwhile, maintaining worker discipline within Fordist labour processes became increasingly challenging; with the 1960s and 1970s, in particular, marked by wide-scale labour protest. The response from large capital has been to fragment production to focus on core activities and markets. Smaller enterprises emerge in the more volatile or peripheral markets and also form a necessary counter to centralisation and collectivism (Scase, 1995). The ensuing threat of mass redundancy from large firms acts as a covert form of labour discipline whilst fragmentation enables large capital to abandon

unprofitable areas of production. As such, as Stanworth and Gray note, 'the apparent shift toward small-scale capital, measured by employment and new firm formation, is a result of the decisions of large scale capital rather than a new era of entrepreneurship.' (1991: p.231).

The institutionalists, however, do not consider economic restructuring as a strategic decision by large capitals. Rather, it is the inability of Fordist production methods to adequately meet the changing and volatile consumer demands in what they describe as post-Fordist society (Piore and Sable, 1984). With technical innovation facilitating flexible production, it is argued that smaller firms are best placed within the economy to develop 'flexible specialisation'. Essentially, this thesis suggests that smaller firms can react quickly to changing markets as they are not hampered by bureaucratic hierarchies and the inertia endemic in larger companies when embracing change. These new, flexible, responsive smaller firms gain competitive advantage through developing networks with neighbouring firms to take advantage of local knowledge to serve local markets. This leads to the decline of a mass market economy and the development of regional economies and industrial districts. The decline of the large firm occurs as its form and structure are no longer appropriate to the changing demands of modern markets in a context of new, flexible technologies.

It is apparent that the changes described within these explanatory theories are not emerging on any wide scale within the British economy. Within Europe there is limited evidence for the emergence of regional economies, in Italy, for example, and in some parts of Germany, in the 1980s (Goodman *et al.* 1989). This model would appear to be dependent on the historical existence of particular craft traditions and associated labour processes within specific locales and so, has limited transferability to a whole economy unless such conditions



are pre-existing. As such, the flexible specialisation thesis does have limited applicability. Regarding fragmentation, some doubt has been cast upon the ability of large firm management to make coherent strategic decisions regarding the development of the corporate enterprise as an entity (Hyman, 1987). Strategic theorists themselves are now questioning whether design school approaches to corporate development over the longer term are possible or desirable in the volatile markets dominating the economy since the 1970s (Minzberg, 1994). So, from a strategic stance, it is doubtful that coherent fragmentation of large capital was undertaken during this period. Rather, it would appear that ad hoc responses to market change did emerge in the 1980s giving an uneven and unpredictable path to large firm restructuring (Nolan 1994). Overall, it is apparent that beginning in the 1970s and gathering pace in the 1980s, market uncertainty prompted large capital to undertake change but this was largely reactive rather than strategic and pro-active (Marlow, 2000). In the case of the UK, such re-constructive trends were impinging upon general economic change at a time when specific government policy overtly encouraged the growth of new, smaller firms.

Hence, the interaction between global economic changes and national policies within the UK led to the expansion of the smaller firm sector in the 1980s. It is important however, to view this expansion as a continuation of trends which emerged in the 1970s but, these trends were undoubtedly accelerated by an overt government stance to deliberately 'grow' the number of new, smaller firms in Britain and there can be little doubt that this strategy proved successful.

It is simplistic however, to presume that these new firms also satisfied the larger political aim of creating sustainable new jobs. It would appear that what actually happened was a

redistribution of work within the economy rather than a whole sale creation of additional jobs (Atkinson and Storey, 1994). As large capital contracted, more labour was released into the market than could be absorbed by existing large organisations. Redundant labour was faced with limited options, either claiming benefit, becoming self-employed or working for a smaller firm. The contraction in state benefits and drastically reduced employment opportunities in larger firms combined with government sponsorship of self employment encouraged more people to choose the latter options. So, in reality labour was moving from one part of the economy to another. Hence, whilst some new jobs were created, the change in the structure of the economy in the 1980s was marked by market re-structuring and job re-distribution.

As has been established, successive Conservative governments encouraged the expansion of self employment in the hope of creating new employment during a period of recession, redundancy and contraction in traditional industries. However, by the end of the 1980s, it became apparent that the smaller firm sector was highly volatile in terms of firm births and deaths, and only a minority of enterprises survived over time and from these, an even smaller number would grow in any sense and to any extent (see Storey et al. 1987). Moreover, most jobs in smaller firms were proving to have substantively poorer terms and conditions than those in larger firms as well as being more insecure (Atkinson and Storey, 1994; Marlow, 1998). This finding led to some debate regarding the 'job generation' ability of many smaller firms and importantly, criticism of government policies overly focused upon the general expansion of the sector.

In recognition of this criticism, there was a policy change in the late 1980s which refocused upon the quality, rather than just the quantity, of start ups and was useful for highlighting the



critical issue of smaller firm volatility. This change of focus, combined with other economic trends, has seen some degree of levelling of business numbers within the economy in the 1990s (see Quarterly Report on Small Business Statistics, Bank of England and DTI small firm statistics for 1990 – 99). However, differential periods of demand, marked by market recession and expansion, were influential and during such periods volatility is evident.

Acknowledging periods of market contraction and expansion, it is fair to state that overall, the 1980s were characterised by a growth in the number of new, smaller firms whereas, the 1990s has been more a period of consolidation. However, such consolidation should not be confused with business stability and the sector was still subject to considerable churning i.e. high levels of both start ups and failures (for detail see the Quarterly Reports on Small Business Statistics, Bank of England).

The extent of churning within the smaller firm sector has ensured that the issue of firm failure has commanded much attention (Storey, 1994; Deakins, 1996; Carter and Jones-Evans, 2000). Firm failure has a complex range of repercussions spanning both economic and social issues. In the case of a smaller firm, the market and wider economic effect will obviously be less than the demise of larger firms. It would be expected that if a small player is removed from the market, other firms will easily absorb the surplus demand through changes in supply. If the firm failed because of market saturation, then its exit will contribute to the restoration of equilibrium (Storey, *et al.*, 1987). However, the social implications of cumulative smaller firm volatility are considerable. Again, it is not the intention of this thesis to examine this in depth as this is undertaken elsewhere – see Carter and Jones-Evans (2000) for example. Rather, in establishing the importance for smaller firms to remain competitive it is necessary to briefly consider the major implications of such volatility:

- evidence indicates that most smaller firm owners use personal savings, their houses as collateral and borrowing from friends and family as start up funding. Failure therefore, has implications which impinge beyond the firms economic sphere of operation
- failure of one firm can have catastrophic effects on its creditors, if they themselves are smaller enterprises. In effect, the failure of one firm can have a 'domino' effect in the manner it impacts upon the sector in general
- employment stability for labour is implicated within an environment of firm volatility
- high levels of churning also mean that considerable numbers of new firms are being created. Evidence indicates that new, smaller firms bring instability to existing markets as they attempt to win their own share of the market by under pricing the opposition.
- new firms are more subject to failure for a range of reasons so an economy which supports a large number of new firms is also likely to be more subject to damage from higher rates of firm failure

Sources: Stanworth and Gray, 1991; Storey, 1994; Deakins, 1996.

These are only some of the social, economic and market implications for a high degree of volatility within smaller enterprises particularly where, as in the case of the UK, smaller firms have a critical role as employers and producers of goods and services. Hence, it has become increasingly important to consider issues which impact upon the competitiveness of such firms. Competitiveness refers to the ability of an enterprise to remain viable within its particular market such that sufficient profit is realised to sustain the firm over time. It has already been noted that during the 1980s there was a political strategy to create new, smaller firms within the economy as a solution to a range of social and economic problems.

However, this policy focus was deemed to be inefficient as so many of these firms failed.

Rather, it was suggested that attention and resources should be focused upon growth firms



who would meet the government's aims of new employment and wealth creation. It was very difficult to prove what characteristics were essential to such a growth firm, or to create a 'recipe' for firms to follow to achieve such a profile. Evidently, 'picking winners' was a very challenging task made even more so by the fact that it appeared that most small firm owners did not share governmental ambitions regarding firm growth (Hakim, 1989).

Evidence suggests that most smaller firm owners wish to achieve stability and durability rather than fast growth (Atkinson and Storey, 1994). So, in more recent years there has been greater attention paid to discrete influences which impinge upon firm competitiveness and consequent stability. It would appear therefore, that analyses of issues which contribute to competitiveness would be more productively focused upon the characteristics of smaller firm owners, their management practices, personal priorities and market positioning.

The papers considered within this thesis focus upon a number of such influences and processes which, it is argued, critically impact upon firm competitiveness and sustainability. So, for example, the paper upon ethnic minority enterprise draws attention to the particular problems experienced by such firms. The impact of racist policies, attitudes and practices, ensures that many people from ethnic minority communities have experienced particular difficulties in gaining access to mainstream labour markets and the associated benefits of such. One outcome of such exclusion has been a tendency for some ethnic minority groups to turn to self employment, this is particularly notable for those from South Asian communities (Ram, Marlow and Patton, 2001). Whilst this so called 'entrepreneurial spirit' had been supported by policy makers, it was noted that such firms were unlikely to engage with mainstream support agencies and funding providers with the intent to improve professional management skills and consequently, sustainability and growth prospects. The first paper within this series, (Marlow, 1992), examines this issue in more depth. Based on

an empirical investigation of ethnic minority owned businesses, the article analyses how ethnicity impacts upon firm competitiveness, whilst recognising how ethnicity interacts with a related range of influences to generate a specific environment for business development.

Another notable feature of the expansion of the smaller firm sector in the 1980s was that a growing number of women were engaging with self-employment. This phenomenon generated some interest regarding the circumstances which might prompt women to enter self employment and the ensuing performance of their firms. The analysis of female self employment has been largely androcentric in that it cited the behaviour of women within a male dominated context, little recognition was made of gendered structures which might affect women's experiences of ownership. The papers cited in this thesis examine such issues more carefully, drawing on empirical research from an ESRC funded study, (Marlow, 1994; Marlow 1997). In particular, it is noted how mainstream definitions of success may reflect negatively upon performance judgements of female owned enterprises. This analysis is developed further through a subsequent article which argues that discriminatory practices steeped within the labour market will also impinge upon women entering self employment, and will critically effect the whole experience of firm ownership.

Finally, actual management policy and practice is considered in some depth. The paucity of training and development provision for smaller firm employees is well established (Marlow, 2000). This has led to a series of policy initiatives to expand the supply of training but, as the first paper in this series (Marlow, 1998) argues, the context of demand for training must be fully understood if supply is to be appropriately targeted. Developing this theme, the second paper focuses upon training and development, critically evaluating existing methodologies used to analyse the relationship between firm performance and training



(Patton, Marlow and Hannon, 2000). It is argued that previous work has largely failed to appreciate the complexity of the interplay between firm needs and context in respect to the supply of training provision.

During the post war years considerable attention had been afforded to the ability of larger firms to predict and accommodate market shifts through the development of formal, tightly structured corporate strategies for future development (Andrews, 1971). In recent years, it has been argued that to remain relevant in a context of market fluidity and fracturing, a far more flexible and emergent approach must be adopted to strategy formation (Minzberg, 1994). The final paper in this thesis (Marlow, 2000), examines whether smaller firms might be able to utilise such emergent approaches to develop a strategic approach to managing labour. It is argued that to fully articulate an emergent approach an organisation should be flexible and responsive to the need for change. Given that most smaller firms are notable for their lack of bureaucracy and hierarchies and that owner managers usually have a keen sense of local market issues, it is posited that such firms may be using emergent strategies to contribute to competitiveness and durability. The particular case of human resource management (hrm) is examined in some depth. Given that the performance and use of labour is critical within the smaller firm (Atkinson and Storey, 1994), this paper considers the possibility that smaller firms are able to utilise a flexible approach to strategically manage labour to achieve competitive sustainability.

To summarise, until the early 1990s, the focus of the smaller firm literature was largely upon macro economic issues regarding sectoral expansion and contribution towards employment creation. Relatively little attention was paid to issues such as the social characteristics of owners and managers or contextual influence upon managerial practices and how these

aspects might impact upon a firm's competitiveness. There was a gap in the awareness of how such factors, long considered critical in the sociological study of work and occupations, might impact upon the experience of self employment and those employed in smaller firms.

The work reviewed in this thesis makes a useful contribution to this lacuna. The work by Marlow (1992) on ethnic minority firms draws a number of strands together. It is recognised that the climate of mass unemployment in a context favourable to self employment is likely to push those who find themselves without work, or in vulnerable employment into self employment. This was undoubtedly influential in prompting the expansion in ethnic minority owned businesses in the 1980s but whilst recognising this, Marlow goes beyond the fact of expansion alone. Rather, the research looks in more depth at the processes used in managing firms and how these intertwine with ethnicity. In the case of gender, it is again illustrated (Marlow and Strange, 1994; Marlow, 1997) that an ascribed social characteristic underpins other influences to impact upon the competitive position of a firm. The expansion in female self employment has been facilitated both by general government policy to grow self employment and also by the expansion of the service sector - a traditional area of operation for women. These papers demonstrate the links between character and context whilst also analysing the implications for competitiveness and success.

It has been argued that government policy and academic research has recognised the need to create sustainable firms rather than just grow new ones (Storey, 1994). This shift is reflected in the work by Marlow (1998; 2000) and Patton, Marlow and Hannon (2000) pertaining to management policy and practice. These papers explore the manner in which management decisions arise from the context of the firm, how they are then operationalised within the enterprise and the consequent and differing implications for sustainability and



competitiveness. The collection of papers informing this thesis thus reflect recent developments in the study of smaller firms whilst making an important contribution to the extant literature. Moreover, by drawing upon wider academic concepts and placing them within the context of smaller firms, these studies make a significant contribution to cross disciplinary analyses of the sector. To develop these arguments further, the individual papers will now be considered in more detail; regarding the order of consideration, the debate reflects the chronological order in which the research was undertaken.

## **Chapter Three**

### **Influences upon smaller firm competitiveness**

The level of enterprise competitiveness results from a complex interaction between the micro environment of the firm and its positioning within the wider economy. In particular, this thesis considers elements which influence the former aspect, that is the micro environment of the firm itself and how this impacts upon competitiveness. The first issue to be considered in depth is that of ethnicity, particularly how being a member of an ethnic minority group affects the experience of self employment and smaller firm ownership. Specifically, the work by Marlow (1992) will be explored as one of the first considerations of the relatively unexplored area of agency support for ethnic minority firms. Having examined the effect of ethnic origin upon competitiveness, the thesis then examines issues of gender and enterprise drawing upon the analysis by Marlow and Strange (1994) and Marlow (1994). This initial focus on personal characteristics is then followed by an analysis of the effect of specific management practices upon firm competitiveness illustrated by the argument and evidence presented in Marlow (1998), Marlow (2000) and Patton, Marlow and Hannon (2000). The scope and dimension of these collected works informs the argument of this thesis that the competitive position of a smaller organisation will be critically influenced by a range of influences beyond size alone.

#### **3.1 Ethnicity, self employment and competitiveness.**

An ethnic minority group might usefully be defined as, 'communities who settle in a host nation, differentiated from the indigenous population by skin colour and/or subscription to noticeably different cultural, religious or value norms' (Marlow, 1992; p. 37). Further to the

notion of difference, it is agreed that most ethnic minority groups suffer disadvantage in terms of access to material wealth and status within the wider community (Ram and Barrett, 2000). Ethnic minority communities are not fixed in composition however, it is fair to state that in the contemporary UK, the label 'ethnic minority' group applies to those of Indian, Asian, African-Caribbean or Chinese origin (Marlow, 1992). It is estimated that approximately 5% of the UK population are currently members of ethnic minority communities (Bank of England, 1999; p.11).

One noticeable feature of ethnic minority populations in the UK, reflected within other developed nations (Ward, 1987) is their propensity for self employment. So, whilst self employment and smaller firm ownership expanded substantially in the late 1970s and 1980s (Marlow, 1992; p. 35) it is evident that this activity was greater amongst certain ethnic minority groups than within the indigenous population itself (Ram and Jones, 1998). A recent review by the Bank of England (1999; p.12) supports this and suggests likelihood of further expansion, 'Currently, such businesses represent almost 7% of the total business stock in the UK. It is likely that this figure will increase over time because the ethnic minority population is expected to double over the next 25 years'.

There are a number of arguments advanced regarding why those from ethnic minority communities should be over represented within the self employed, and as smaller firm owners. These might be rather crudely divided into cultural explanations, blocked employment opportunities and economic opportunity, although areas of overlap are recognised (Ram and Jones, 1998). Regarding culture, it is argued that some minority groups have a cultural propensity towards entrepreneurship. This largely arises from the effect of displacement from their home country combined with hostility from the indigenous



nation. The outcome of these pressures is an 'acculturation lag' (Light, 1995) causing a greater reliance upon communal and family solidarity in a context of self employment. Such ventures are supported within the community by closed, ethnic markets, cheap family labour, communal networks and family sources of funding. Hence, it is argued that wider disadvantage can be addressed by the use of ethnic resources to access social and economic capital specific to the community itself, and not available to outsiders.

Whilst there is certainly evidence that such access to cultural capital supports the process of enterprise ownership, it does not adequately explain the shift from employment to self employment in the 1970s and 1980s. Rather, evidence indicates that ethnic minority employees are likely to be concentrated in secondary labour markets due to persistent discrimination and blocked employment opportunities (Jones *et al.*, 1992) with the disadvantages which accompanies this type of employment (Piore and Sable, 1984). The contraction of these labour markets in the 1970s and 1980s, (along with wider labour market changes) combined with racist barriers to accessing alternative waged labour, predisposed members of ethnic minorities to turn to self employment as a preferable option. The economic opportunity argument suggests that rather than the propensity for self employment being located internally within ethnic minority communities, the general expansion in self employment in recent years has promoted such activity throughout the population and merely 'pulled' ethnic minority members along with it (Jenkins, 1984).

As noted above, it is likely that elements of all three analyses underpin the growth in ethnic minority enterprise and can be drawn upon to differing degrees to explain the varying levels of self employment between differing minority groups. So, Marlow (1992) notes that South Asians in particular are notable for their penchant for self employment whilst African-

Caribbeans are poorly represented. It is argued that South Asians have relatively easier access to assets such as family labour, community finance, social networks and importantly, traditional settlement patterns which create enclave markets. Thus, this group are combining the tangible and intangible benefits of community cohesion whilst being pushed towards self employment by labour market contraction and discrimination in an environment of small firm expansion. Conversely, it can be seen that whilst African-Caribbeans certainly do share experiences of discrimination and can identify market opportunity, they tend to have different family formations, dispersed settlements and more dilute community support. Hence, it is noted that, 'they (African Caribbeans) have no particular advantages in business funding and labour availability' (Marlow, 1992:38).

The heterogeneity of ethnic minority enterprise has been acknowledged and it is noted that whilst difference does exist within and between ethnic minority business owners, in general, ethnic minority firms are less competitive when compared to the general population of smaller businesses (Ram and Smallbone, 1999). Consequently, it might be imagined that recognition of enterprising activity undermined by structural constraints and limited by community resources would have prompted a rich resource of agency support. In the general proliferation of policy initiatives to support smaller firm growth and durability evident since 1980, ethnic minority enterprise has commanded some attention. There would appear to be two major reasons underlying this. Firstly, the dominance of specific minority groups within particular markets and localities emphasising the importance of their contribution as both producer and employer and secondly, the findings of the Scarman Report (1981). In the wake of the early 1980s civil disturbances in Brixton, Scarman suggested that self employment could form part of the solution to problems of black unemployment and social disaffiliation and exclusion. A notable outcome of this attention was the formation of the

Ethnic Minority Business Initiative in 1985 which aimed to improve business support provision to ethnic minority firms (Marlow, 1992). Despite this level of interest and investment in support services it would appear that such policies have been of limited success due to a fundamental lack of understanding regarding the experience of ethnic minority business ownership and confused and inappropriate delivery mechanisms. (Marlow, 1992; Ram 1998).

In an analysis of this issue, Marlow (1992) notes the low take up of agency support and informs this argument with an empirical study focused upon a particular support initiative offered by the (then) West Midlands Training Agency. It is noted that smaller firm owners in general are reluctant to utilise agency support for a range of reasons so it is important to note that ethnic minority owners reflect a trend rather than form a unique group. However, this particular trend might be deemed to be more puzzling given the weight of attention given to supporting this group within the small business community. It begs the question - is there a specific deficit within the community itself in terms of the propensity to seek advice or, a problem with the manner in which the service is delivered? Further to a consideration of ethnic minority firm owners, uniquely, the analysis by Marlow extends to examine the take up of support measures within firms which employ a majority of ethnic minority labour. So, the investigation is very much focused upon the notion of firm competitiveness and how the reluctance to utilise, management development and training, might impact upon both the employers, their firms and employees from ethnic minority communities. This wider conceptualisation of the effects of agency support is not in evidence elsewhere.

The particular support programme under investigation required firms to have a management team so effectively excluded all African – Caribbean and Chinese owned firms as they were



too small to fulfil this requirement. This usefully underpins the argument regarding inappropriate support provision for many ethnic minority firms. If *whole* groups are excluded from access to funded advice, as was the case in this instance, it would seem to suggest that the policy is constructed on inappropriate parameters for a considerable section of the target population. However, from the evidence of personal interviews with 320 Asian or white smaller firm owners who did meet the programme criteria, it was found that levels of interest were high and they were willing to meet with a management consultant to engage with the next stage of the project.

It is suggested that the greater problem may lie in the method and mode of service delivery in that the Training Agency had a largely reactive stance in that it usually relied on firm owners to contact them. Moreover, it was evident that neither the support service or the actual professional advisors reflected the ethnic backgrounds of their potential clients so were mostly ignorant of the specific environment in which the firms operated, 'regardless of the quality of professional advice, unless the consultant understood these needs and problems, ideally by originating from a minority group, their advice may be misguided', (Marlow, 1992; p.44). Yet, this did not mean that the ethnic community was deprived of business support familiar with problems specific to their enterprise. Marlow noted that in the localities under scrutiny for this study, where there was a high proportion of ethnic minority enterprises, that discrete support services had emerged funded by national and local initiatives. However, to some extent this led to a fragmented infra structure as networking between these agencies appeared to be negligible. Thus, firm competitiveness suffered from a lack of co-ordinated, comprehensive support sited within an awareness of the discrete needs of an ethnic group whilst aware of other intervening elements which intersperse between issues of ethnicity, self employment and enterprise.

As noted above, sectoral concentration was evident within the study. Given that minority business firms have been primarily located in areas of protected, but saturated space, the focus upon ethnicity needs to be placed within the wider context of general market challenges. This importance of sectoral concentration upon competitiveness was noted and has also been recognised by Curran (1993), who argues for a focus upon segmentation rather than segregation. This is not to infer that ethnicity is inconsequential in regard to business competitiveness, but by singling it out as the critical factor, such enterprises are defined by their owner's ethnicity and separated into a discrete category rather than being seen as part of the larger business community. In recognition of this, Marlow (1992) argued that for support to be effective, programmes had to be familiar with a range of issues pertinent to firms which go beyond ethnicity alone, whilst remaining fully informed and sensitive to the dynamics of this influence. Therefore, marketing of support services developed from a generalised template, with no acknowledgement of the association between ethnicity and disadvantage in effect, supports and perpetuates racism. This analysis of agency support for ethnic minority firms by Marlow raised a number of critical issues which have been reflected upon and examined in some depth by later commentators, see for example Ram, (1998).

So, drawing from her analysis of ethnic minority business and agency support, Marlow (1992) argues that the problem lies primarily in service supply and delivery rather than demand such that advisors, their knowledge base and the duplicity of provision mitigates against wider take up. That is not to argue that demands were in fact high and unsatisfied but, if services were appropriately devised, marketed and delivered they would be positively received and in a greater number of cases, acted upon. This analysis has been used, and continues to inform, extensive debate regarding the role of minority enterprises in society



and particularly the manner in which support provision is delivered and the need for coherence, sensitivity to ethnicity but critically, the rejection of marginalisation. Moreover, the extension of the debate regarding how the outcomes of agency support and workplace training impact upon ethnic minority employees is critical. It draws attention to the manner in which support programmes impact throughout the organisation rather than just upon the discrete areas at which they are primarily aimed. This aspect still remains relatively unexplored.

### 3.2 The influence of gender upon small firm competitiveness

Gender is a social categorisation used to ascribe traits of masculinity or femininity. Sex differentiation is a biological categorisation which divides the population on the basis of genes, chromosomes and reproductive roles (Cockburn, 1993). As a socially defined category, gender analyses are utilised to examine the extent of female subordination in society. Such subordination arises from the differential value placed upon the stereotypical traits and characteristics associated with masculine and feminine identities. Both historically and currently, masculine traits have been positively identified as the foundation for survival, subsistence and wealth creation particularly in the 'public' sphere of employment whereas, feminine traits have negative connotations for public attainment being steeped within the domestic, private sphere of the home and child care. As such, the analysis of gender discrimination forms a discrete category of study in itself (see for example, Rowbotham, 1977, Walby, 1986; Reskin and Padovic, 1994; Bradley, 1999) and it is not intended to closely evaluate these arguments here. Rather, on the basis of this wide and sophisticated literature it is accepted that, whilst a heterogeneous group, women do share a differentiated degree of subordination evident throughout history and within contemporary society.

Within a market economy, this subordination is noticeably articulated through differentiated life chances and choices for women in terms of their employment. From the evidence of both large scale studies (EOC, 2001) and fine grained investigations (Westwood, 1986; Crompton *et al.* 1996 and Bradley, 1999) the following characteristics are evident within women's waged work:

- it is both vertically and horizontally segregated within and between occupations where women are likely to be concentrated in lower paid, lower skilled jobs and are afforded lower status from their employment
- it is more likely to be undertaken on a fragmented basis (for example, part time) with the disadvantages associated with this type of work organisation
- it is more likely to be characterised by breaks for child birth and care which disrupts the unbroken career progression associated with promotion, status and affiliation to the organisation.

As such, in a society where access to economic and social independence is achieved primarily through waged work, women face a range of barriers associated with their gender to gaining such independence.

One option available to women which could address subordination within the workplace whilst creating personal space and autonomy is that of self employment (Marlow, 1997). In the general expansion of self employment in the 1980s, it was notable that women in particular were turning to this option. As Marlow and Strange (1994:173) note, 'between 1981 and 1989, female self employment rose by 81 percent compared to 51 percent amongst men and moreover, women now constitute 24 percent of the self employed '. However, it is curious that despite this growth in female self employment in the 1980s and the substantial

literature pertaining to female subordination in society the smaller firm literature is largely gender blind (Marlow, 1997). As Holmquist and Sundin (1989:1) remark, 'entrepreneurial theories are created by men, for men and are applied to men'. In drawing attention to the gender blind approach of the smaller firm research agenda and literature, Marlow and Strange (1994) and Marlow (1997) focus upon a number of critical issues regarding how the gender of the business owner affects the experience of self employment and competitiveness. Furthermore, they argue that prevailing analyses of women in self employment contribute to the dominant androcentric view of social and economic action in contemporary society.

An androcentric society has its norms, standards and 'common sense' presumptions founded in values and priorities which essentially reflect a male world view. Thus, typical masculine attitudes, traits and activities inform all mainstream definitions of social organisation.

Shakeshaft and Newell (1984: 187-8) analyse androcentrism as;

the elevation of the masculine to the level of the universal and the ideal, it is the honouring of men and the male principle above women and the female. This perception creates a belief in male superiority and a value system in which female values, experiences and behaviours are viewed as inferior.

One avenue through which androcentrism is articulated is through a patriarchal society where men dominate and control all social, political and economic institutions enabling them to foster and perpetuate dominance (Walby, 1986). Whilst patriarchal analyses have been subject to some criticism for their tendency to describe rather than analyse (Pollert, 1996) the argument regarding the male capture of institutional power is convincing in its evidence, if not explanation (Bradley, 1999; Wilson, 2001). A central theme of the analysis of women in self employment by Marlow and Strange (1994) and Marlow (1997) regards how this patriarchal view is reproduced in the exploration of this particular area.



Having utilised contemporary analyses and argument, the authors confirm women's role as secondary market labour and primary domestic labourers. It is noted however, (Marlow, 1997:200) that women are a heterogeneous group in composition, outlook and action and certainly, few women now conform to a solely domestic role. However, the evidence indicates that women are subordinated in waged work and face difficult choices regarding domestic and waged labour in order to gain traditional achievements in an androcentric society.

This analysis of generalised female subordination can be brought to the debate regarding women as smaller firm owners. In the initial literature analysis of the discussion, Marlow and Strange (1994) and Marlow (1997), note that, whilst limited, existing research is not necessarily in agreement regarding the extent and nature of gender subordination upon the experience of self employment for women. Goffee *et al.* (1982); Cromie (1987); Holmquist and Sundin (1989); Kuratko and Hodgetts, (1992) identify issues specific to gender which influence experiences of self employment whilst Birley (1989), Stanworth *et al.* (1989) and Chaganti, (1985) stress similarities between gender groupings. From a comprehensive study of self employed women, Carter and Cannon (1992) develop a rather more sophisticated analysis that suggests that many women will articulate main stream attitudes towards firm ownership but these should be examined in view of their gendered backgrounds and experiences. Indeed, in a recent overview of the literature and research pertaining to female self employment Carter does explicitly acknowledge the influence of gender upon enterprise ownership with the astute comment that, 'there remains a pervasive assumption that female experience should be considered only in direct relations to male norms' (2000:180). The papers cited within this thesis recognise this argument and suggest that, regardless of heterogeneity within the group, analyses of the experiences of business formation and

ownership should be sensitive to androcentrism and to influences arising from subordination which transcend the immediate environment of an individual business. To develop this theme, Marlow and Strange (1994) initially considered one central tenet in the smaller firm literature, that of business performance and success.

In an analysis of notions of business success, cited within a discussion of motives for business foundation, Marlow and Strange (1994), noted how success and growth – and consequently competitiveness, are defined and analysed. It was noted that from a literature search of definitions of success and failure, that the former was primarily associated with growth through employment, productivity and sales whilst the latter with key financial indicators. Support from Thompson (1989:11) states that, ‘normative models so often used in disciplines such as marketing, accounts and general management almost always viewed success from the point of view of an external agency. Success . . . is viewed in terms of jobs created, wealth created’. However, Marlow and Strange suggest that success as an outcome must be judged not only on externalised agency criteria, but also upon the subjective ambitions of owners for their firms. So, if women are more likely to establish smaller firms to gain autonomy as a response to the frustration of waged work discrimination (Carter and Cannon, [1992]; Marlow, [1997], Moore and Buttner, [1997]), or as a coping strategy to gain autonomy to decide upon working schedules (Vinnecombe, 1987), such motives are likely to influence their subjective definitions of business success. Thus, applying standard accounting criteria to such firms would dismiss them from mainstream accreditation of success.

Of course, it is acknowledged that in reality, the majority of sustainable smaller firms, regardless of owner characteristics, remain durable whilst not exhibiting growth. Whilst falling outside the remit of collective objective judgements regarding performance and



growth, such firms meet the individual, limited and subjective definitions of success employed by their owners (Freel, 1998). Regarding the performance of female owned firms, it is not suggested that their enterprises should be definitively segregated on the basis of gender when judging success, but it is important to acknowledge and recognise specific influences, along with generalisable effects, which will have differential impacts upon this aspect. This particular issue illustrates that to establish a more theoretically robust analysis of women's experiences of self employment, issues critical within the established feminist debate regarding female subordination must be utilised to inform the conceptual development of this area.

It is noted that in more recent examinations of gender and self employment, specific issues such as business motivation and performance definitions are being considered in gendered terms (Moore and Buttner, 1997). Yet, even when these issues are subject to analyses which, to some degree, do recognise the affects of female subordination, there is still a superficial emphasis upon how individual women might use their 'special' attributes to individually deal with what is in fact a group problem. What is then uncritically reported is either, how women are offered space in certain traditional feminised occupations within self employment or, adapt by becoming 'honorary men' in order to break out into male dominated arenas. The analysis is still being cited within the confines of patriarchal norms and expectations. The recognition that women develop specific strategies to accommodate subordination but that these create solutions within the confines of androcentrism is essential for the debate to progress and must be recognised. This argument is further progressed by Marlow (1997) through further theoretical development informed by empirical investigation.



Working from the stance that men and women have differentiated experiences of both waged work and self employment, Marlow (1997) develops the analysis of the latter through an ESRC funded matched study of men and women smaller firm owners. This study, rated by the ESRC as outstanding, looked closely at reported motivational factors for business foundation by both men and women, explored their experiences of self employment and then took the unusual approach of directly asking respondents for their views upon discrimination and equal opportunities issues. An overview of the findings indicated that:

- men and women did exhibit some shared motives for self employment but, these were likely to be underpinned by gendered influences. For example, both men and women looked for independence and had experienced career frustration. Reflecting earlier findings by Goffee and Scase (1985) it emerged that women felt that many career problems were related to gender so wished to escape such subordination through self employment. It was particularly notable that within this sample of respondents, self employment facilitated an accommodation of domestic and waged labour as it provided flexibility regarding work time and location. This was not an issue for any of the male respondents
- business credibility was an initial problem for all the sample. Again however, women reported gendered problems where customers and suppliers would presume her to be the secretary or owners wife so she felt she had an additional credibility problem in establishing her authority as the independent owner
- gaining access to finance was a greater problem for men than women but, this was because women were less likely to approach banks preferring personal sources of funding as they believed there was little point in applying to formal agencies
- when asked to comment specifically upon problems which might be encountered by women in self employment, over 36 per cent of the men believed that there were none.

Only seven per cent of the women believed this to be so. The remainder of the women cited specific issues relating to credibility, finance, domestic demands and self confidence. It was interesting that 14 per cent of the men felt that women were illogical and uncompetitive and this was a specific problem for them

- having recognised problems, the sample were asked to suggest how these might be addressed. Both men and women favoured an individual solution through women working harder to achieve highly visible business success. Such role model firms would act as encouragement to others. Other notable solutions, favoured by women, were focused on social and political solutions whilst both men and women agreed that better child care facilities would assist women business owners to perform better.

From these findings Marlow (1997:208) draws the succinct conclusion,

If women begin new, small firms because they feel thwarted as women in their careers, if there are credibility problems for firm owners arising from their gender, if a woman's notion of business success differs from her male counterparts because her ambitions are moulded by gendered experience, and, finally, if women are utilizing self employment as a solution to dual demands of domestic and waged labour, then the experience of self employment is tainted by patriarchal expectations.

As in the case of ethnic minority businesses however, it is not the intention to suggest that self employed women should be segregated and bounded on the basis of gender. It is recognised that many women owned firms are sectorally concentrated in areas which are problematic regarding market opportunities and firm durability. Hence, advice and support which aims to address the issue of relatively poorer competitiveness and higher volatility within those businesses owned by women needs to span issues which recognise not only gender but other influences such as sectoral concentration. However, the argument that is forwarded here is that women are concentrated in these sectors *because* they are women whose general subordination sites them in occupations which have lower worth within the prevalent values of androcentric norms articulated in a capitalist market economy. So,



analyses of female self employment which attempt to comprehend the competitiveness of their organisations on the basis of sectoral concentration, funding problems, lack of advice etc. will draw attention to critical issues but without recognising the wider concept of subordination, will only ever be partial. This has been recognised to a greater degree recently, and the analyses forwarded by Berg (1997), Baker, Aldrich and Liou (1997) and Carter (2000) make a valuable contribution to this debate whilst complementing the work by Marlow and Strange (1994) and Marlow (1997).

### 3.3 Strategic management and smaller firms.

Until fairly recently, the extant literature pertaining to strategic management focused exclusively upon the corporate organisation (Marlow, 2000). Strategic decision making was concerned with how a firm might manage its product in order to gain competitive advantage within a market (O'Gorman, 2000). In the past it has been argued that to operationalise a coherent corporate strategy for the short and long term required considerable management skill to utilise information and experience to accurately judge the porosity of markets. Such knowledge could then be used to assess how the firm might best produce goods and services for those markets to achieve competitive advantage (Ansoff, 1977). To effectively develop such strategies, where market opportunity is judged against the firm product required a range of sophisticated and integrated management skills and knowledge.

Recently however, it has been argued that strategic activity is not likely to follow such a formal, professional and ordered path (Marlow, 2000). There are a number of reasons for this but notably, within contemporary markets growing short term demand cycles and volatility combined with a focus upon product quality and differentiation has made it increasingly challenging to develop strategies which reflect traditional, long term



approaches. Instead, it is now suggested that firms are adopting strategies that reflect such market changes in that they are far more fluid and flexible (Marlow, 2000). Minzberg (1994) describes these as 'emergent' strategies in that they emerge informally from the intuitive knowledge managers have of markets and products; moreover, they are not fixed but have space to adjust to new information as this emerges. As Marlow notes (2000:138), 'this more intuitive, empathetic approach hinges upon developing a strategy which interacts between the external commercial environment and the internal competence of the firm'.

With the recognition that emergent strategies are flexible, intuitive and utilise both tacit and formal management competence, Marlow argues that this might be a framework within which strategic action might be operationalised in smaller firms. To support this suggestion, some generally typical smaller firm characteristics are identified and placed within the context of emergent strategies. So, it is argued that smaller firms are more likely to have:

- informal learning where demonstrable competence in task formation will be valued above formal qualification and the focus is rather narrowly upon the firm itself and its immediate operating environment
- management tasks that are more likely to be blurred within a small group of individuals such that this flexibility facilitates a wider appreciation of how the firm operates. This can be advantageous when instigating change where the impact of such can be more widely anticipated and understood
- a reliance on personal funding, bank loans and overdrafts for funding hence, restricted financial capital. Therefore, short term strategies to support production are likely to have precedence over longer term strategic investment in fixed or human capital
- personalised decision making undertaken by the owner. It is well documented that many smaller firm owners rely heavily on their own experience to make business decisions and do not welcome 'expert' input from external sources. If this personal preference is

combined with a narrow focus of managerial expertise, it is apparent that decisions regarding change and its implementation will be largely intuitive.

If such characteristics are then placed with the context of what Gibb (1987) describes as an entrepreneurial management style which is defined by short time horizons, informality, incremental change, avoidance of obsolescence and management evaluation of task completion, it can be argued that any strategic activity will reflect an emergent approach. To complement this analysis of strategic activity further, Marlow (2000) notes that from the limited evidence pertaining to this area, it appears that smaller firms which do articulate a strategic approach are more durable within their competitive environment (see O'Farrell and Hitchens, 1988a; Hannon and Atherton, 1998). Having established that developments within the analyses and definitions of strategic management indicate that this area, traditionally associated with the larger enterprise, may be evident in an identifiable form in smaller firms, Marlow (2000) develops this argument through the empirical examination of strategic human resource management (hrm) in such firms.

Hrm was the focus on this particular discussion for two major reasons. Firstly, on a pragmatic basis, the scope of a journal article does not offer sufficient breadth to develop an analysis of management strategies in general, nor to meaningfully report empirical data upon a wide range of management functions. Secondly, from an analytical stance, there has been considerable attention afforded to the role of labour in contemporary organisations and more specifically, new managerial strategies to extract greater value from labour. From the late 1970s, increasing pressures from cyclical economic recessions and encroaching global competition prompted firms to focus upon how labour might be managed more effectively in an environment of competitive volatility (Clark, 1998). In the UK, this environment was shaped by successive Conservative policies to weaken collective labour organisations whilst



supporting enhanced managerial prerogative. The outcome has been a labour management stance focused upon greater individuality, ad hoc flexibility and a rhetoric of strategic employee utilisation. It is not the intention to examine the efficacy of strategic hrm here - for a critical overview see Legge, 1995, but to establish that there was a notable managerial focus upon the strategic use of labour to gain competitive advantage within unpredictable and shifting markets (Mabey and Salaman, 1995). Thus, this discussion by Marlow (2000) focuses specifically on hrm in smaller firms to ascertain whether this emphasis is reflected within the sector and if its articulation is facilitated by an emergent approach to activation.

From a qualitative study of 64 owner managers the evidence was somewhat contradictory. For example, 90 percent of the sample categorically agreed that a strategic approach to labour management should be adopted. However, upon closer questioning, it was apparent that the respondents notion of strategy did not accord to any academic definition or outline of such. Instead, there was reference to general mission statements and discrete operational issues. There was little appreciation of how existing management competencies might be strategically utilised to enhance market share in either the short or long term. There was recognition of critical issues for competitiveness such as labour management, product quality, customer satisfaction and sales growth but no real appreciation of how these discrete elements might be perceived as inter-related or further developed. In the consideration of specific hrm policies and practices such as recruitment and selection, training and development and communication and participation it became evident that the preference was for informality and flexibility. This arose however, more from an ad hoc approach rather than any realisation that this stance could offer strategic advantage for the firm. As Marlow (2000:146), summarises; ' there is a problem in respect of translating awareness into action. .



. owners and senior managers readily acknowledged the value of a strategic approach but had difficulty finding the best way to put this into action'.

The value in this particular research is in its argument that more traditional means of assessing the contribution of management skills to competitiveness can not only be applied to smaller organisations but may, indeed, be more appropriate for the their management form. It once again draws attention to the tendency of management theorising to be focused on the larger firm and moreover, the presumption that this organisational form is the dominant economic and social norm. One interesting pedagogical outcome of the study is the questioning of definition and how it might span a continuum of activity. Taking Minzberg's (1994) notion of emergent to be cited in notions of intuition, flexibility and tacit but informal competence there is a problem for the researcher in subjectively identifying activities which, by their very nature are subtle and fluid. Even, as in this research, if it does appear that the actions necessary to evoke a strategic activity are too vague to clearly determine, this does not mean that they are not working together at an organisational level which does offer competitive durability to the firm. This is a difficult methodological issue of identification and interpretation of action which, because of the ephemeral nature of the issue under examination leaves space for further dialogue regarding the nature of evidence. (This issue was also noted by Kitching (2001) in a supportive review of this work) In more concrete terms, this study did highlight a clear opportunity for policy assistance. Given that the respondents recognised the value of a strategic approach but, in the case of labour management, were not developing this, appropriate advice, suitably delivered, could be of considerable assistance.

Overall, this study argues that the development of strategic management theory can, and should be, analysed in regard to its use and impact upon all organisations. It was argued that, in general, the organisational form of smaller firms would make them receptive to emergent strategic activity. However, in the assessment of this proposition it became apparent that there was a methodological challenge in the identification of activity which is defined in terms of its tacit and informal nature. Despite this, it was clear that owners and managers supported the need for a strategic approach even if the articulation of such was not clear. This does suggest that there is some opportunity for appropriate and informed guidance to clarify and identify the nature of the process of strategic management for such firms but, this must be developed to complement existing competencies, owner priorities and managerial form if it is to be usefully adopted.

### 3.4 Smaller firms and the training debate.

In recent years there has been considerable debate regarding the poor level of engagement with employee training and development in the UK (Keep and Mayhew, 1997; Marlow, 1998). Assessments of human resource development (hrd) initiatives indicate that provision is particularly poor within smaller firms in general, whilst noting some exceptions to this trend (Stanworth and Gray, 1991; Maton, 1999).

The paucity of hrd in smaller firms has been noted by policy makers and academics alike (DTI, 1999; Westhead and Storey, 1997). Learning and Enterprise Councils, Business Links and various local enterprise initiatives have attempted to address this situation by developing a range of owner, management and employee training and learning schemes although it is noted that micro firms have been largely excluded from this endeavour (Matley, 2000). The indications are however, that most smaller firm owners remain reluctant to invest in hrd

within their organisations for either themselves, managers or other employees.

Complementing the hrd policy initiatives have been a range of academic studies investigating this issue further with a notable preoccupation upon association between smaller firms, employee training and development and improved firm performance (Westhead and Storey, 1997). This focus has arisen from the presumption that positive associations between investment in hrd and improved firm performance would be a powerful argument to persuade smaller firms owners of the value of such investment. However, to date, this quest has been largely fruitless with a comprehensive literature search by Westhead (1996) and Westhead and Storey (1997) unable to find any convincing evidence to support this axiom.

The two papers under consideration here make a valuable contribution to this debate. Whilst offering further development of the analysis, they focus particularly upon the manner in which the heterogeneity of the sector combined with the challenge in adequately defining business performance make this task extremely challenging. Marlow (1998) argues that much of the critical literature on the role of hrd in the UK economy has focused upon larger firms with the emphasis upon generalised, formal delivery of training and development initiatives. Having argued that the hrd need of firms are likely to reflect their activity in the larger economy, Marlow develops this analysis by suggesting that a range of discreet influences will impact upon the likelihood of a firm investing in training programmes. To illustrate this argument, Marlow considers three particular issues, wider market construction, industrial sector and firm size. It is argued that recent global market changes, in an environment of cyclical recession has prompted the growth of low cost, high volume production in an expanding service sector in the UK, with a concomitant growth in the need for low skill, low paid labour (Nolan 1994). Given that evidence would indicate that the



majority of smaller firms locate in the service sector and the quality of the employment relationship therein is substantively poorer than that of larger firms (Cully *et al.* 1999; Atkinson and Storey, 1994), this article raises the issue of the logic of hrd investment in such firms

Having expanded this debate to place the use of training and development initiatives in a wider context is then argued that this has to be further qualified with an acknowledgement of sectoral influence. Taking the example of clothing manufacturers and the engineering industry it is argued that the competitive environment experienced by the former and their dependence on cheap labour leads them to focus on cost cutting labour management strategies (Marlow, 1992; Ram, 1994). So, whilst owners may recognise the desirability of utilising computerised technology to develop the design and manufacture process, few invest in the fixed or human capital necessary to benefit from this longer term strategy. In the latter case however, most engineering firms must have skilled operatives so are more likely to invest in their labour (Keep, 1989). Even where a stance of 'poaching' is adopted, investment in machinery is likely to at least trigger supplier based training (Marlow and Strange, 2000). The sectoral location of the firm will, therefore, be critical in determining levels of hrd investment. Finally, in the consideration of firm size it has been suggested that smaller firms might feel greater pressure to engage with training and in particular, management training, in an attempt to maintain competitive edge in uncertain markets (Marlow, 1998). This need is further accentuated by the fact that smaller firms (where there is likely to be a small management team), are more likely to have a limited range of management skills in situ which will disadvantage durability and competitiveness (Wynarczyk, *et al.* 1993). Whilst this can be interpreted as a rational argument for investment, it is not evident in practice. Evidence would indicate that many smaller firm owners are reluctant to invest in training for

both themselves and their management teams for a number of reasons. For example, Gibb and Davies (1989) argue that owners are reluctant to risk the exposure of their own lack of formal management skills through the development of their managers; Seales *et al.*, (1996) draws attention to the issue of time constraints where few spaces exist for labour to engage with any 'off the job' training; financial cost is also an issue (El Nakami, 1990) whilst owner ignorance of management deficiencies make it challenging to identify gaps. Finally, as there is no clear link between investment in training and development and enhanced firm performance a substantive logic for such investment is lacking.

The value of this particular research was the attention drawn to the complexity of the debate regarding investment in training and development in smaller firms and the necessity to place this debate in a wider environmental context where the heterogeneity of the sector is recognised. In a later paper by Patton, Marlow and Hannon (2000), a number of these issues are developed further. Specifically, the evidence pertaining to the relationship between investment in training and development and firm performance is considered in some depth with the conclusion that the methodological approaches utilised to explore this relationship have, to date, been largely inappropriate. This critical analysis is placed within the context of a wider framework which might more usefully explore this issue. From a comprehensive literature search, Patton, Marlow and Hannon find no strong or substantive evidence that there is a causative link between training and performance. However, rather than just presuming that this is an accurate reflection of events, the authors raise a number of other possibilities. It is argued that methodological deficiency and, as noted above by Marlow (1998), the failure to recognise the interactive nature of the influences which affect the decision to train and any subsequent impact upon performance will be of importance.

Regarding methodological debate, it is noted that the tension between epistemological choice regarding the most appropriate manner in which to realise data has been generally unhelpful to the debate. So, the tendency to utilise short term qualitative studies of small samples to inform a causative link leads to tenuous conclusions and equally, the generation of quantitatively analysed large data sets loses fine-grained detail. It is suggested that methodological triangulation might be one manner in which to address this issue (see also Curran and Blackburn, 2001) whilst the need for longitudinal studies to fully appreciate the impact of training and development upon firm performance are imperative. Furthermore, the authors argue that the manner in which performance is evaluated and measured will be critical to any assessment of its association with training and development. It is now recognised that there are a wide range of performance measures ranging from harder, external evaluations usually related to profit levels, sales volume and employment generation to more subjective judgements based on the attainment of owner and managerial priorities for the firm (see Marlow and Strange, 1994). Thus, this paper critically evaluates the simplistic utilisation of terminology and methodologies where in fact, the recognition of complexity is central to the debate.

Developing this argument further, it is suggested that the evaluation of the impact of training initiatives would be more cogently undertaken with the use of a contextual framework. This would facilitate the recognition of the multiplicity of influences which will impinge upon the relationship between training and firm performance. The authors adopt and adapt a model from Hakansson (1982) arguing that an analysis of the general business environment, the atmosphere surrounding associations between trainers and recipients and the priorities within the actual interaction itself must be recognised if there is to be any real comprehension of the process. By suggesting this framework, the authors argue that the analysis is extended



beyond the actual training experience and placed in the context of the market, the firm and the individuals involved and that it can reflect the range of factors which impinge upon these elements. It is not suggested by the authors that the adoption of such a model will enable researchers to unequivocally identify causal relationships but rather, it may be possible to develop a more comprehensive and complex analysis which takes account of a wider range of pertinent issues. Indeed, it is not the aim of this paper to find a solution to the 'training = performance' question but to shed some light as to why, and how, the available evidence is unhelpfully constituted. From their assessment of this area it is, in fact, suggested that this particular research quest may be rather pointless, various influences are inextricably linked so cannot be satisfactorily separated and valued.

These two papers make a significant contribution to this particular debate with the argument that both the heterogeneity of the smaller firm sector must be recognised and how this, and the wider economic environment impact upon the utilisation, delivery and impact of training and development initiatives. Moreover, a critical element of this particular debate, the demonstration of causal relationships between hrd and firm performance is explored in some depth. It is suggested that the extant work has, on the whole, not engaged appropriately with methodological argument and moreover, the complexity of these issues regarding training and performance may make any such effort a rather lost quest.

In summary, this series of papers informs the thesis regarding the competitiveness of smaller firms. The work recognises that the sector is heterogeneous and complex in terms of operation. The competitiveness of a firm is dependent upon a wide range of factors which go beyond size alone. It is argued that owner characteristics such as gender and race will affect the manner in which a firm is managed and developed and how it relates to the wider

market. Hence, competitiveness is a reflection, not only of objective issues such as the firms product and particular market positioning but of subjective issues relating to stereotypes associated with owner characteristics. However, it is recognised that social ascription also interacts with other influences such as sectoral concentration, to create a specific business environment. Competitiveness is then examined in relation to management policy and practice. So, whilst it has been recognised that strategic management is a critical activity in larger firms to maintain competitive advantage, the presence of this formalised management activity has only rarely been explored in smaller firms. This thesis recognises that developments in analysis and definitions of strategic management may mean that the process is being operationalised in smaller firms thus strengthening their competitiveness. Finally, the robust debate regarding the use of hrd in smaller firms is explored in some depth. The manner in which investments in training and development support competitiveness through enhanced performance is critically evaluated with a particular focus upon the methodological problem. The papers presented within this thesis focus upon the coherent theme of competitiveness and through their argument, analysis and empirical evidence make a substantive contribution to this debate.

## **Chapter Four**

### **Methodological stance.**

This chapter will consider the methodological approaches adopted within the papers which constitute this thesis. The papers utilise a number of approaches - including empirical research, theoretical analysis and a critical evaluation of the methodological underpinning of the training and development debate in smaller firms. As such, they offer a rich source of material which contributes to the methodological debate regarding the study of the smaller firm. The papers based upon empirical evidence (Marlow, 1992; Marlow, 1997; Marlow, 1998; Marlow, 2000), are located within the qualitative tradition of enquiry offering the opportunity for a critical evaluation of this approach. Whilst there is a focus upon the open ended interview, the inclusion of a matched pairs study (Marlow, 1997) adds to the value of this discussion. The work by Marlow and Strange (1994) however, is not based on an empirical foundation but rather, argues for a deeper engagement of feminist theory with the issues of female self employment whilst drawing attention to the definitional biases of accepted terminology. The paper by Patton, Marlow and Hannon (2000) engages with a critical evaluation of methodological problems evident in the literature which attempts to identify causal relationships between the use of training strategies and firm performance. As such, the papers themselves develop a range of methodological issues as they actively engage with empirical investigation, question the theoretical paucity of one area of debate within smaller firm research and finally, examine methodological problems related to both epistemological stance and ontological presumption.

Given the focus is upon how social actors make sense of the world, it is fundamental to consider how that world is constructed. Just as in the case of the epistemological debate,



there is a wealth of argument pertaining to the philosophical notion of engaging with, and defining, reality (for a critical overview of the problems of ontology see Johnson and Duberley, 2000). The papers within this thesis reflect a social constructivist theory where it is accepted that as social actors, human beings actively construct their social worlds (Garfinkel, 1967; Manneim, 1970; 1976). However, it is not suggested that the social environment is a product of pure agency but, reflecting the work of Giddens (1979; 1984) it is argued that there is a complex, reflexive relationship between action and structure. People are not 'cultural dopes' (Giddens, 1979; 69) completely constrained by social structures but are active participants who manage, shape and reproduce their societies. As such, the social construction of the world of action is one of reciprocity between actor and structure. Hence, the thesis rejects positivist assumptions regarding the possibility of discovering an objective truth in the realm of social science. As Johnson and Duberley (2000:40) note, 'from a positivistic perspective the aim of (management) research . . . is to generate laws which govern the ways in which organisations operate', so the emphasis is upon neutral examination of an objective reality with the aim of testing theory against empirical observation. The work underpinning this thesis however, does not accord with this perspective. Rather, it is argued that as researchers are sentient beings who share the social worlds of their subjects it is not feasible to adopt a neutral stance - we are informed, shaped and prejudiced by our individual life experiences. Moreover, the belief in a socially created and negotiated reality necessarily requires the rejection of an objective, neutral reality which can be subject to objective observation. The papers presented are based upon the belief that we actively construct our own worlds from our own perceptions and experiences but, such worlds are accessible to researchers as 'informed outsiders' who must however, remain sensitive to the limits of intrusion.

In the case of this thesis, the focus is upon the world of the smaller firm owner - the manner in which owners construct, manage and understand the economic unit of the firm. This cannot be considered in isolation from the wider structure of the economy, there is a dynamic interchange between the actions of the owner and the context of the firm. It is recognised that this relationship is highly complex with a wide range of influences interceding between the realities of the owner, the firm and the environment. In this thesis this is clearly recognised. For example, the papers acknowledge that there are socially constructed concepts such as ethnicity and gender which have recognisable but fluid and flexible parameters. These concepts go beyond the interview moment so they can be analysed as topics 'in themselves' as well as their presumptions underpinning research categories 'of themselves' (Denzin, 1991). In the consideration of issues of training and strategic management, it is accepted that these activities are defined, actioned and evaluated from a range of perspectives within the firm and the focus of these papers was upon how the firm owners themselves understood these activities and how they were constructed within the context of the firm.

The work by Patton, Marlow and Hannon (2000) critically evaluated epistemological stances regarding the study of training and development in small firms but in so doing, also raised the issue of how this activity is understood by those who have an interest in the area including firm owners, training providers, employees, suppliers, customers etc. It is suggested that the reality of a training and development initiative is constructed by the participants in a far more diffuse way than has previously been assumed. So, the attempts to generate causal relationships between training inputs (t) and performance outcomes (p) makes a set of objective definitional presumptions which, it is argued, are inappropriate within the context of the activity. This raises distinct ontological issues regarding the

possibility of narrowly defining a social activity in objective and quantifiable terms which then questions epistemological choices made on the basis of such presumptions.

Within this thesis, the empirical work is cited within the qualitative tradition as this is considered most appropriate for the phenomena under study - that of people and how they manage and relate to the social construction of the smaller firm within the wider economic environment. The work occurs within the interpretivist 'paradigm' of social research.

Although this term is used in a variety of ways in this case it is contrasted with positivistic approaches and generally aligned with the points noted below. In order to uncover the meanings attributed to action by sentient beings it is critical to engage in processes which uncover such meanings and moreover to be able to offer meaningful interpretations of such. This process is more than just 'telling stories' (Bulmer 1984). Curran and Blackburn (2001) note that good qualitative research is about producing a coherent interpretation of respondent views within a clear framework which reflects a theoretical position and exposes the process of the research. Hence, the fact that stories, interviews, narratives, events and actions are focused and subject to informed interpretation raises them above the level of crude empiricism.

To summarise these arguments and issues, drawing from the extensive literature pertaining to the qualitative approach it would appear that it is a process whereby the informed but subjective researcher aims to make sense of the world of the respondent, through some immersion within that world. The qualitative approach draws upon a social encounter between the researcher and the respondent. There is a rejection of subject/object dualism (Johnson and Duberley, 1997) and an acceptance that a 'variety of reality is negotiated or socially constructed by the interviewer and respondent' (Schon, 1983:47). Stanley (1990:



25) sums it up rather succinctly when stating that the interpretivist approach is an attempt to 'collapse the dichotomy between the knowledge of the lay actors and that of the researcher'.

The qualitative paradigm is, therefore, founded on the premise that to interpret how meaning is attached to action it is essential to gain access to the lived world of the subject and this raises the issue of how the approach is operationalised. There is some debate regarding *appropriate* strategies to engage with the social world of the subject. So, for example, classical ethnography calls for the complete immersion of the researcher in the world of the subject, evident in the work of Humphries (1970) for example. Interviewing however, which still aims to explore the world of the respondent, is broadly interpretivist. It is a much more controlled, short term interaction dependent upon an overt exchange of information. When reviewing the literature regarding the value of different approaches to gaining access and insight to the lived world of the respondent, it would appear that it is necessary to draw some divisions within the debate between the ideological and the practical. Ideologically, the debate focuses upon whether those who regard themselves as researchers can ever privilege their position sufficiently to be able to give real meaning to the world view of another sentient human and then, what might be the research stance which offers the best chance of gaining this world view. From the more pragmatic, practical view it would appear that the greatest challenge is summed up by Buchanan (1988: 67) who refers to the problems of 'getting in, getting on and getting out'. Thus, for most undertaking research it is necessary to find a method of enquiry which satisfies the aims of the research, enables meaningful discovery and interpretation so makes a contribution on the wider stage whilst remaining manageable for the researchers themselves. This is reflected in the empirical work which underpins the papers in the thesis where the focus is upon open ended interviewing, which as Silverman (1993) notes, is the most widely used technique for undertaking social enquiry.

Interviews are a collaboration between respondent and researcher with the aim of generating knowledge but they depend upon the ability and willingness of each contributor to communicate. Interviews can be described as 'directed conversations' (Bulmer, 1984: 35) but should not be confused with casual conversations as they rest upon a set of assumptions and understandings which set them apart from the chance encounter (Denscombe, 1998). Interviews offer the researcher an opportunity to learn about a specific aspect of the social world of the respondent through the common element of language and conversation so they produce real world observation. The language and conversation is relevant at two levels; at an ethnomethodological level it operates to demonstrate the structures of talk and mutual understandings in operation, at an interpretivist level it provides a source of substantive information treated with reflexive awareness by the researcher (Silverman, 1993). If handled skilfully interviews, whilst channelled towards a specific area of enquiry, facilitate the generation of a wide range of data as issues are explored and elaborated upon by researcher and respondent.

The interaction between the respondent and researcher also facilitates the use of analytical induction whereby the information gained from the subject is used to revise and refine the theoretical underpinning of the study. This approach, classically articulated through the 'grounded theory' approach by Glasser and Strauss (1967) informs the interpretivist stance. It is argued that if the process of research is one of discovery through sharing the perspective of the subject, a priori theorising is inappropriate. Rather, tentative theoretical analyses are utilised as the basis for the enquiry but, these should be subject to revision as the stories of the respondent unfold and further inform the theoretical stance. As such, data is used to deductively inform the analysis underpinning the research but still, conclusions can only be



tentative as it is accepted that knowledge is only ever partial. It is evident that interviews are a useful research tool as they enable the generation of a guided narrative which maintains focus but whilst still offering sufficient opportunity to revise and develop the analysis. However, there are, of course, disadvantages to interviews.

The utilisation of the interview is underpinned by the presumption that the reality of the respondent is accessible to the researcher - ontologically this raises issues regarding the nature of how truth, evidence and reality can, or should be, perceived. As noted above, the constraints of this thesis do not facilitate a lengthy ontological debate but suffice to say, if the underlying stance of the papers arises from an acceptance of the socially constructivist perspective, the interview is a useful entry tool into the world of the respondent albeit requiring careful management. However, if this ontological stance is rejected then the interview becomes redundant hence, the perspective which underpins the understanding of reality must complement the methodological choice. Taking the problem from the interactionist stance, it is evident that the interview process can reveal facets and fragments of the world of the respondent but, as a social encounter, it will be affected by the characteristics of the individuals involved.

So for example, issues such as sex, age, ethnicity, class will all impact upon the interaction with resulting implications for developing trust and rapport (Denscombe, 1998) which would imply that some fields of enquiry are 'closed to strangers'. This stance was adopted in some avenues of feminist research for example, where it has been suggested that it is impossible for men to successfully interview women because of underlying incompatibility of life experiences (Roberts, 1981). Indeed, in some cases it is true that the field of enquiry might be bound by prior social considerations but, in most cases, sensitivity to difference will



facilitate the interaction whilst the researcher should make any potential distortions known within the narrative of the interpretation of the encounter. Further to the potential for the personal attributes of the researcher and informant to 'pollute' the outcome of the interaction is the intervention of the environment. It has been established that the qualitative approach adopts a naturalistic stance which considers the subject of the research in a natural environment. However, if the environment is generally hostile to strangers or to those who ask questions, this can lead to problems and this had been evident in ethnographic studies of deviant behaviour such as those of Bloor (1997) who studied drug use and male prostitution and noticeably so in the work of Humphries (1970) on casual homosexual encounters. These problem issues are reflected in the debate regarding the validity and reliability of interpretivist research.

In a useful discussion of validity, Perakla (1993) drawing upon the work of Lincoln and Guba (1985), notes that it is not sufficient to just produce descriptions of the social world but such descriptions, must in some way, correspond to the social world being described. In other words, what assurance can there be that the outcome of the research is accurate, inclusive and truthful - is the researcher calling what is measured by the appropriate name - would it reflect what the respondent meant? As Hammersley (1992: 201) states, 'all descriptions are bound to a particular perspective and therefore, represent the reality rather than reproduce it'. Issues of reliability might best be addressed by making the research process explicit and available to scrutiny (Burgess, 1982; Miles and Huberman, 1984; Robson, 1993; Curran and Blackburn, 2001). From such considerations, what would appear to be important is to divulge the aims and circumstances and outcomes of the research encounter so the process is explicit and tentative findings can be openly and fairly evaluated by others.

The issues discussed above are evident in the papers underpinning this thesis. The work is based upon interviewing techniques which establish a context for the encounter whilst enabling respondents to speak at length concerning the meaning attributed to the areas under study. The interviews were conducted in the familiar environment of the respondents workplace where it is suggested that such familiarity encourages informant security and hence, willingness to discuss pertinent issues at length (Robson, 1993). One possible disadvantage of this, as noted by Denscombe (1998), were the copious amounts of data realised by the willingness of respondents to engage in detailed and lengthy narratives. Whilst it is always useful to have a wealth of data this does require the researcher to act as editor which raises the issue of validity as that which does not fit the research remit may be discarded. This is obviously an issue in any interpretivist research endeavour and can only be addressed by noting the deviant cases and outlining the research process so issues of reliability can be assessed.

Within this discussion, which reflects the extant literature, there is a tendency to view the research undertaking as arising from a quest for knowledge where the researcher is free to make critical decisions concerning how and what to study. However, this is not always the case. As Kulka (1982) notes, research problems are frequently related to the availability of funding where the subject matter is underpinned more by expediency than the rational pursuit of knowledge. To some extent, that is reflected in the work on ethnic minority enterprise (Marlow, 1992). Arising from the growing interest in self employment and the recognition that ethnic minority groups are over represented in the sector, combined with the recommendations of the Scarman Report (1981), government agencies were anxious to engage with so called 'ethnic entrepreneurs'. Consequently, funds were available to study



this area and the (then) West Midlands Training Agency commissioned this particular study to gain information regarding why ethnic minority owned firms were unlikely to use agency funded management training.

This did lead to some constraints upon the research - it was focused by the sponsor and had to meet the remit they specified. In this particular case, the researcher was informed regarding the issue of ethnicity and smaller firms so it is argued that the stance of 'informed outsider' was not compromised. However, the study did have to use a large sample of firms (320) which made it impossible for the author to undertake all the interviews although the interview schedule and all the initial information gathering, sample construction and data analysis were undertaken personally by the researcher. It was made clear that the Training Agency wished to be able to generalise the outcomes of the study, to some degree, to inform policy formation, so a relatively large sample was specified however, by using open ended interviewing it was felt that the benefits of a fine grained methodology were combined with findings which could be tentatively applied to a wider population.

Even when working within the boundaries of funded research, it should be possible to draw attentions to flaws within the sponsor remit which the research exposes, and this was the case with this study. Almost at once it was apparent that the size limit imposed by the sponsor effectively excluded many ethnic minority owned enterprises which, for a range of reasons were more likely to remain very small. The sample construction does however, raise a further policy related issue. If the intervention of the Training Agency was to refine and review policy, this process was flawed by the manner in which many ethnic minority businesses were excluded. Hence, this particular policy provision was only relevant to a restricted group of firm owners. At this point an inductive approach would have suggested



revising the parameters of the research to strengthen the validity of the study, but as the training criteria was externally fixed this was not possible. Rather, the manner in which the study was narrowed was made explicit.

Another contentious issue exposed was the question of bias arising from race and gender issues. The interviews were conducted by white men and women so it is possible that ethnic difference would impact upon the interview environment. Ram (1994) noted the advantage of a shared ethnicity when researching smaller Asian owned enterprises - but he also drew attentions to patriarchal structures in such firms which made accessing gendered issues very difficult. Within the research outcomes, attention was drawn to this issue - specifically, if advice agencies wish to engage with all sections of the community, differences within that community must be recognised and addressed. It is not appropriate to presume that firm ownership somehow bestows homogeneity of perspective, need and solution in regard to policy and practice. This study had a number of constraints placed upon it due to the specific remit of the funding body but, it did manage to develop the focal area on a number of levels. In one aspect, the research did engage with the world of the ethnic minority firm owner which exposed why the Training Agency initiative was not able to penetrate this environment in any meaningful fashion. On another level, a number of methodological issues were revealed regarding, for example, the problem of sampling when the basic application is inappropriate, the interference from respondent and informant bias and the issue of reconciling sample size and researcher control.

The empirical studies of strategic management issues and the use of training and development initiatives exposed different methodological issues. In the first case, it was suggested that emergent forms of strategic management might be being utilised by smaller

firm owners with particular regard to human resource management. What emerged from this endeavour was the problem in negotiating common meanings regarding the research area. During the interview process, most respondents claimed to be using a strategic approach to managing labour and indeed, believed in the utility of this approach. However, as the interchange developed and the researcher sought to identify specific instances of emergent strategies it became apparent that there was gulf between what respondent and interviewer understood to be strategic behaviour. This does lead to the issue of 'privileging the discourse' of either researcher or respondent and this is noted as a problem by Johnson and Duberley (2000:84), 'any claim to privileged knowledge is construed as a rhetorical ploy to support discursively a particular conventionally derived perspective'. In the case of Marlow (2000) however, the respondent perspective was not dismissed but rather, it was suggested that it raised another issue. Given the focus was upon *emergent* strategies, which by their nature are diffuse, ad hoc, flexible and intuitive, the problem may lie more in nominalism. The issue being when does the action make the transference from haphazard to emergent? Hence, this paper raised the issue of terminological vagueness, academic interpretations and respondent definitions.

The empirical evidence pertaining to training and development issues (Marlow, 1998) also fulfils a two fold purpose. It is used to tentatively suggest that prevailing approaches evident in the assessment of the utilisation of employee development are too narrow and this argument is later developed to inform a later paper (Patton, Marlow and Hannon, 2000). In Marlow (1998) it is argued that much of the existing debate regarding training and development fails to take account of the environment of the firm and how this will dispose the organisation towards, or away from, investment in employee development. As such, it reflects the structure agency debate by arguing for the need to recognise the relationship



between the external environment of the market and perceived needs of the organisation as interpreted by the owner. Thus, it is suggested that there is a dynamic interaction between the perceptions of the owner regarding the utility of training initiatives and the position of the firm in the wider environment.

Building upon these themes, the paper by Patton, Marlow and Hannon (2000) engaged with a critical evaluation of the attempts to quantitatively demonstrate a causal relationship between the utilisation of training and development schemes and firm performance. It is argued that isolating definitive variables to establish causal relationships fails to both acknowledge the fragmented and heterogeneous environment of smaller firms and does not recognise the complex nature of the social relationship between those who commission training, those who experience it and those who deliver it. As such, the attempt to isolate a 'training variable' leading to the result of a 'performance outcome' is based on a false premise and this has significant epistemological implications. If training and development processes are socially constructed with a myriad of outcomes, it is essential to utilise an interpretivist approach to engage with the perceptions and expectations of the actors involved. The papers pertaining to training and development draw attention to the difficulty of isolating variables and pursuing causal relationships within a shifting and complex social environment. The argument focused on the need for a more sophisticated methodological awareness and suggests that the initial presumptions underlying this area of study need to be revisited and carefully scrutinised.

Those papers focused upon the issue of gender also reflect a developmental process. The work by Marlow and Strange (1994) recognises that the study of smaller firms must incorporate cross disciplinary theoretical analyses. In this particular case, it is argued that



the issue of gender will impact upon experience of self employment so any study of this process must recognise this influence. The extant literature regarding the experience of self employment has been largely gender blind. This paper argued that as gender has long been recognised within the social sciences as an issue which critically underpins life experiences it could not realistically be excluded from the study of self employment. This argument is illustrated with the use of one particular criteria - that of business success. The paper examines how 'success' as a term might be perceived from different stances particularly, how economic definitions of success might differ from social perceptions of success and the implications of such difference with regard to feminist analyses. Indeed, Roberts (1981) critically evaluates standpoint epistemologies from a feminist perspective noting that methodologies are based on a masculine view of social reality which is fundamentally different from the viewpoints of women as social actors. Thus, this paper drew attention to the need for research to be robustly underpinned by informed theoretical sensitivity (whilst not denying that theoretical presumptions are open to revision), to question common sense terminology and feminist methodological critique.

On the basis of this consideration, further study was undertaken to examine issues of gender and self employment. This research was based upon a matched sample research of self employed men and women. In a considered evaluation of this approach, O'Farrell and Hitchens (1988b) argue that the use of matched samples constitutes a medium grained methodology within which the generalizability of coarse grained stances are combined with the detail of the finer grained approach. This argument is based upon the interaction of defining and measuring a number of relevant issues with one being deemed pivotal as it differentiates the samples whilst using an interpretative analysis to explore differences which emerge between the groups. As Peck (1985) notes, the process is highly dependent upon the

researcher to specify the main extraneous factors and then identify sufficient cases to meet the matching criteria. As O'Farrell and Hitching (1988b: 64) argue, the matching process needs to be close enough to avoid error whilst not so narrow as to render the process impossible 'the concept . . is not synonymous with 'identical pairs' - they are not identical twins'. The chances of being able to engage with perfect matching are remote hence, the researcher must use some discretion regarding the parameters of the sample whilst ensuring the process is revealed for wider review and evaluation.

This particular approach has proved popular in recent years in the growing body of smaller firm research (for example, Birley and Westhead, 1992; Westhead, 1994) but it is not without problems. The matching process requires the confident identification of those key features which underpin the study and Gibb (1992: 140) suggests that 'there is little scope, in small firms research, for controlled experiment with matched samples'. It is argued that much of the work which has been undertaken in the past has been used to draw robust conclusions about smaller firm behaviour and this is inappropriate given the lack of attention to the matching process.

The approach used by Marlow (1997) recognises and reflects many of these issues. The rationale for this research study was to consider if the gender of the owner might affect the experience of owning a smaller firm so, there was an unequivocal issue upon which to differentiate the samples. Matching the samples on other parameters of firm performance was more challenging - the process used reflected other studies which have used this approach so focused upon issues of turnover, age, sector (to the actual activity), number of employees, proprietorship and location. It is recognised that the matching process could always be more rigorous but, as noted above, a balance needs to be found between the



matching parameters and maintaining research viability. In the study itself, it is clearly stated that this is an exploratory examination of gender and self employment so it is not intended to draw 'robust conclusions' regarding these issues. Rather, in this case, the intention is to draw attention to the fact that self employment is one influence which informs action and moulds perspective but certainly cannot be used to presume homogeneity.

Throughout these papers there is a reliance upon open ended interviewing although the process is subject to a number of approaches. For example, in Marlow (1992) a relatively large sample was utilised so the fine grained data were subject to clustering to identify themes presented in descriptive tables. This approach is evident in other papers (Marlow, 1997; 1998; 2000) but is supported more overtly by narrative example. Hence, the underlying theme is one of qualitative revelation whilst the context of the work, that of the academic article has necessitated the identification of themes and clusters to illustrate discussion and tentative conclusions.

Within this thesis there is a presumption that the researcher as 'informed other' can gain access to, and understanding of, the varied experience of self employment. Underpinning the research is an ontological presumption based upon a social constructivist perspective. This is drawn from Giddens' (1979) structure/action thesis where it is argued that as sentient beings, human actors create and construct a social world with structural constraints but within this world, there is space to generate meaning and negotiate change. To gain access to how meanings are attributed, negotiated and changed we engage with narrative which is interpreted according to individual perceptions of the exchange. Given this ontological foundation, the epistemological approach is cited within the interpretivist stance. With the use of personal interviews, the researcher has attempted to gain access to the world of the



respondent through directed narrative and focused conversation. If it is argued that reality is socially constructed and so subject to differing perceptions, meanings and presumptions, knowledge can only ever be partial. This is accepted but, within the remit of this research it is argued that the focused nature of the narrative is meaningful and useful in the manner it illustrates differing aspects of the experience of self employment. It is not suggested that the work which constitutes this thesis indicates firm conclusions or causal relationships but rather, adds substantively and theoretically to the body of knowledge pertaining to the complex, fragmented and heterogeneous world of the smaller firm owner.

## **Chapter Five**

### **Contribution to Knowledge**

This thesis has an over arching focus upon small firm competitiveness. Whilst each paper has a specific substantive, methodological, policy and theoretical remit, overall they combine to draw attention to the range of issues which will critically affect the competitiveness of any one firm. Thus, they emphasise the heterogeneity of the smaller firm sector, the manner in which ascribed social characteristics of firm owners will impinge upon the experience of self employment and furthermore, how the interpretation and application of management theory and practice will shape the micro environment of the firm which in turn, impacts upon and interacts with the macro environment. All of these aspects impinge upon the ability of any firm to remain sustainable in a competitive market. Whilst disparate in individual focus, the papers informing the thesis are none-the-less coherent in the wider arena of competition and firm durability.

The published works which underpin this thesis make original contributions to knowledge in the following areas:

- Substantive information pertaining to the processes which affect smaller firm competitiveness
- Policy implications regarding support initiatives for smaller firms
- Methodological debate
- Theoretical analyses in regard to developing discrete areas of conceptual argument and effectively siting them within the smaller firm debate

## 5.1 Substantive.

The thesis draws attention to the complexity of smaller firm competitiveness. In particular, it illustrates how the social characteristics of the self employed will impact upon the experience of firm ownership and also how specific managerial decisions and perceptions inform the use of policy and practice. The papers indicate that the ownership and management of smaller organisations cannot be analysed in isolation from wider social and economic issues.

Specific government policies since the mid 1980s have been focused upon supporting new enterprises founded by members of ethnic minorities in the UK. The paper by Marlow (1992) made a substantive contribution to this debate by highlighting what amounted to the ignorance of policy makers and agencies regarding the nature of ethnic minority owned enterprises which in effect, ensured that many policy initiatives were inaccessible to this group. Moreover, Marlow (1992) raised the issue of sensitivity in the delivery of advice and support to groups which are currently defined by certain characteristics not evident in business advisors. To some extent this contribution is also reflected in the work of Marlow and Strange (1994) and Marlow (1997). The focus upon the social characteristic of gender illustrates the need to recognise how women experience self employment. Specifically, the problem of inappropriate criteria to evaluate business success and the challenges which affect women in particular were outlined and explored. The conclusion being that awareness of, and sensitivity towards, gender issues is critical if the experience of self employment is to be effectively understood.

In substantive terms, the papers by Marlow (1998), Marlow (2000) and Patton, Marlow and Hannon (2000) all testify to the heterogeneity of the smaller firm sector regarding how such



firms develop and utilise management policy and practice. In the cases of both strategic management and issues of training and development it is argued that smaller firm owners perceive, develop and action managerial practices which reflect a wide list of personal, market and social pressures. Therefore, to comprehend how small firm owners manage their firms requires understanding of the macro and micro environment of the firm and the manner in which these aspects interact.

Substantively therefore, these papers make a range of contributions. The discrete areas considered draw attention to the manner in which specific issues will influence the experience of self employment. Further to this however, the papers demonstrate the dynamic relationship between other established academic disciplines and the study of smaller firms. So, issues of race, racism and ethnicity interweave with notions of self employment and enterprise and must be seen as outcomes of each other rather separate areas of study. Likewise gender and smaller firm ownership. Feminist theory and analysis is critical to any comprehension of the experience of women and self employment - the arguments inform each other in a reciprocal manner. Thus, these papers indicate that to ignore the social characteristics of the self employed leads to only a partial understanding of this area. In terms of management policies and practices the papers substantively indicate that theories and presumptions drawn from the study of larger firms will not be merely reproduced in smaller firms. Rather, a wider appreciation of a firms market position and the manner in which the owner organises and interprets this is critical if there is to be any comprehension of how management activities are perceived and implemented.

Regarding firm competitiveness, the papers offer substantive evidence that the sustainability and development of any firm is an outcome of a number of issues. These reflect the

characteristics of the owner, their own ambitions for the enterprise, the perception of the utility and appropriateness of various management practices within the market context of the firm and the manner in which the external environment interacts with, and impacts upon, such aspects.

## 5.2 Policy and agency implications.

The policy and agency implications of this work are various in respect of substantive areas of focus but can be drawn together in respect of supporting smaller firm competitiveness. In the case ethnic minority business owners the implications drawn from Marlow (1992) indicate the need for greater awareness of the manner in which ethnicity intercedes with other issues such as firm size, sector etc. such that policy formation, advice and support can be developed based on appropriate expertise and targeting. Marlow (1992) also draws attention to the need for greater sensitivity from advice and support agencies to specific cultural environments of ethnic minority owned firms. For example, the research revealed a rich vein of informal community based support not utilised by government agencies. Moreover, government support agencies were insensitive to the need to employ advisors drawn from ethnic minority communities or who were aware of the specific needs of such communities. The outcomes of this research were disseminated widely to local advice and support agencies so were used to inform the generation of policy relating to Training Agency initiatives.

The relative ignorance regarding the impact of social characteristics upon the utility of business advice is evident in the approach towards women in self employment. Marlow and Strange (1994) and Marlow (1997) argue that gender will impact upon the experience of self employment and use empirical evidence to illustrate this fact. This work, as part of the small



body of literature pertaining to women in self employment has indicated that policy initiatives focused specifically upon women are necessary to recognise the particular challenges they face. However, it is also recognised that gender subordination must also be analysed in respect of how it interacts with other influences which affect the experience of self employment. Such policy initiatives have emerged at local level through groups such as Women's Development Agencies and, just recently, the Cabinet Office has developed a Women's Unit with an investigation of female self employment as part of its remit. As an invited participant to this forum, the author has used her knowledge and research outcomes to inform this on-going role as a policy advisor to this unit.

In respect of management practices, Marlow (1998) and Patton, Marlow and Hannon (2000) make a critical contribution to the continuing debate regarding the perception of and utilisation of training and development within smaller firms. It is a recognised government ambition to develop policy which encourages the use of training and development throughout the economy to generate a higher skilled national labour force (Marlow, 1998). It is also evident that smaller firms are less likely than larger businesses to invest in human resource development (Westhead and Storey, 1997). This fact has led to a substantial research effort to generate evidence which might inform policy initiatives to encourage investment in hrd. As such, the work by Marlow (1998) and Patton, Marlow and Hannon (2000) draw attention to a number of issues pertinent to this ambition. For example, Marlow argues that extant research has failed to recognise the complexity of the interaction between the market positioning of the firm and the role of the firm owner - for policy intervention to be effective the propensity for the business to favourably consider hrd has to be evaluated. It is suggested that generalist policies will therefore, be largely inappropriate in addressing the needs of smaller firms and moreover, a more proactive stance is required from business link



advisors to engage with the specific needs of firm owners. These arguments were further developed in Patton, Marlow and Hannon where the focus was also upon research policies. In effect, it was argued that if greater understanding of the decision to invest in training and development, which then underpins policy formation, is to be gained then a substantial revision of research methodologies and presumptions is required. These papers suggest that if policy formation depends upon research outcomes for information, the basis for such outcomes must be revisited to critically evaluate their utility.

This theme is further illustrated by the work of Marlow (2000) pertaining to strategic management. This paper identified perceptual differences regarding the comprehension of management terms and tasks between researcher and respondent. Whilst this is, to a large extent, a methodological issue it also has policy implications. If policy initiatives are to support the aims of smaller firm owners, there has to be a shared understanding of such aims and it is noted that this paper exposes this as an issue for policy makers and academics alike.

### 5.3 Theory.

The work which underpins this thesis reflects the cross disciplinary nature of theoretical analyses applied to smaller firms. The papers by Marlow (1992; 1997) and Marlow and Strange (1994) reveal the manner in which self employment, as a construct, interacts with socially generated concepts to create a particular experience of smaller firm ownership. So, for example the relationship between concepts of race, racism and enterprise are developed. Theoretical analyses of racism informed by empirical study suggest that discrimination serves to politically, socially and economically marginalise ethnic minority members of a community (Rex, 1970; Phizaclea, 1990). One noticeable outcome of racist marginalisation is the positioning of ethnic minority members in sectors of the labour market which offer

poor terms and conditions of employment and so, restricted life chances (Jenkins, 1984; Weber, 1968). Partly in response to such labour market discrimination, there would appear to be a greater propensity for ethnic minority men to engage with self employment at a higher rate than host community counterparts (Marlow, 1992). Self employment however, is not a simple solution to discrimination. This is recognised by Marlow who notes that discriminatory pressures channel ethnic minority owned enterprises into over crowded sectors defined by high levels of competition and poor returns. Thus, racism creates an imperative for action to avoid employment discrimination but as Marlow observes, this is not likely to be achieved through self employment. Moreover, the paper also highlights the narrow theoretical underpinning of agency policies which fail to adequately recognise concepts of race and racism and their impact upon support programmes. This failure then necessarily leads to a lack of sensitivity regarding the need to deliver policy in a manner accessible to differing sections of the community. This paper recognised concepts of racism and applied them to self employment and specifically, in a novel development, associated the concepts with policy and practice to illustrate the inappropriate level and delivery of provision offered.

Theoretical development was furthered in the works by Marlow and Strange (1994), and Marlow (1997), in this case, the analysis of women and self employment. The work engages directly with feminist theory and argues that gender subordination will impact critically upon women's experience of business ownership. Theoretical analyses of female subordination are drawn from a range of disparate perspectives (see Humm, 1992). Whilst this can lead to contradictory debate and argument there is a defining foundation to such analyses focused upon female subordination. One aspect of this debate which has been developed in depth pertains to women and waged work. However, there is very little theoretical application of



this debate to women in self employment. Marlow and Strange (1994) and Marlow (1997) recognise this gap in the literature and have made an important contribution with their focus upon the impact of gender upon self employment. The development of this debate, through argument and empirical illustration, has demonstrated that the broader concepts applied to female subordination in waged labour are also critical to the experience of self employment. However, by citing these arguments in the context of self employment, feminist analysis has been furthered with the indication that macro social and economic expectations regarding female behaviour and 'place' can transcend the individuality and independence associated with self employment. Thus, this series of papers linked analyses between two specific conceptual areas illustrating the cross disciplinary nature of the theoretical analysis of self employment whilst contributing to the analysis of female subordination. However, on a cautionary note, it is recognised that concepts of ethnicity, race, and gender shapes the context within which the firm operates rather than dictates it. They are influences rather than determining variables.

The papers by Marlow (1998), Marlow (2000) and Patton, Marlow and Hannon (2000) recognise that management theory and practice has been developed and analysed from the perspective of the larger firm. For some time, it has been recognised that smaller firms are not 'miniature' larger firms and moreover, the descriptor 'smaller' cannot be used to denote homogeneity between organisations (Storey, 1994; Marlow, 1998). As Curran and Blackburn (2001:47) state, 'influential theorizing in business research is based on the large enterprise with little or no reference to the small business . . . the neglect of the small business in much contemporary business and management thinking offers opportunities for small business researchers'. This series of papers of strategic management and training and development theory and practice in smaller firms do, indeed, question the presumption



regarding prevailing theories drawn from the study of larger firms and argue how such theories might be articulated in smaller enterprises. The articles argue that existing theories regarding management practice cannot be uncritically applied to all firms but rather, the specific nature of the firm itself must be recognised as impacting upon theory generation and differentiation. Thus, the work by Marlow (1998) and Patton, Marlow and Hannon (2000) develop this analysis. Organisational behaviour theory recognises that firm size will underpin the manner of organised formality, bureaucracy and hierarchies (Weber, 1968) moreover, these aspects will also impact upon managerial policy and practice. This is recognised in the work included in this thesis and relating to training and development where it is argued that interaction between the macro and micro environments of the firm will inform management practices. Moreover, attention is once again drawn to the dynamic interaction between concepts of firm size, heterogeneity and the need for more complex interpretations of applied management theory.

These arguments are also evident in the work by Marlow (2000) regarding strategic management. Traditionally, the concept of strategic management is applied to corporate enterprises. In a development of strategic theory, Minzberg (1994) argues that the concept fails to recognise the flexible, intuitive behaviour of managers and how this reflects upon strategy formation and practice. Marlow (2000), argues that this conceptual model of emergent strategy might more appropriately reflect many managerial techniques evident in smaller organisations. Hence, this paper developed the concept of emergent strategic behaviour within two areas of contemporary debate, that of hrm and smaller firms. It is recognised that management theory drawn from analyses of larger firms cannot be applied uniformly or uncritically to the organisation without acknowledging specific features of the firm which will fundamentally impact upon such analyses.

In a recent editorial comment, Jennings (2001:4) noted that 'a lack of theory development and the absence of a widely accepted body of knowledge dominate small firm research . . . theory grows and develops through constructive and critical debate'. The thesis adds to this debate. Each paper recognises a specific theoretical argument and develops this within the context of smaller firms - it is acknowledged that, as such, the papers then necessarily span across disciplines. However, it is argued that this is productive and positive as it engages with theory development and demonstrates differing forms of practice, whilst maintaining the focus within a specific sector.

#### 5.4 Methodology.

The empirical work which underpins this thesis is developed within a social constructivist approach. The outcome of this presumption was the use of a qualitative methodology which aimed to access, understand and give meaning to the experience of smaller firm ownership. The papers did, however, use differing sample sizes and approaches within an overall interpretivist stance. A criticism of much smaller firm research has been the dependence on small samples to draw conclusions and inform policy construction (Storey, 1994). The work by Marlow (1992) is sensitive to this issue and as the study was to be utilised in policy formation, based findings on a sample of 320 respondents drawn from a specific local population. However, in other empirical work it was stated that the aim was not to generate generalisable findings but rather, to inform current discussion and offer evidence to further debate. This is evident in the work by Marlow (1997; 1998; 2000). The study funded by the ESRC made a distinct contribution to methodological debate with the use of a matched studies design. Whilst criticism has been focused upon this approach (Gibb, 1992) in this



particular case, where the gender factor could be clearly identified, this approach was used very productively with the ESRC rating this study as 'outstanding'.

The remaining papers in this series (Marlow and Strange; 1994; Patton, Marlow and Hannon; 2000) draw upon wider theoretical argument and construct to inform contemporary debate pertaining to smaller firms. As such, these papers recognise that empirical research must be adequately informed by theoretical analyses - facts and theory are inextricably linked. This thesis accepts that research must be theory laden and theory dependent. Debate regarding the nature and application of robust and appropriate theory to the research area, informing epistemological stance and methodological choice, are critical. Overall, the papers use a range of methodologies demonstrating experience across a range of approaches underpinned by a commitment to a broadly constructivist position with a mixed methodology approach.

## **Chapter Six**

### **Smaller Firm Competitiveness: A Critical Appraisal.**

There has been a resurgence of political, academic and business interest in the smaller firm since the late 1970s (Curran and Blackburn, 2001). An evaluation of this process reveals that the focus of interest has evolved from an essentially policy driven approach with a concentration upon new start ups and job creation to a wider recognition of the economic, political and social complexity of the sector. The works by Marlow, reviewed in this thesis, have made a notable contribution to this evolutionary process by illustrating the heterogeneity of the sector, the development of cross disciplinary approaches and the recognition that theoretical analyses drawn from the study of larger enterprises cannot be uncritically applied to smaller firms. Drawing these strands together, the work suggests that the competitive potential of a smaller firm reflects a range of complex influences which interact to create a particular environment for the firm. In assessing this argument however, there are a number of limitations within this particular body of work and some broader issues which arise from the thesis and this final chapter will consider the work in these terms.

#### **6.1 Limitations.**

As a thesis drawn from a series of academic articles, this work is necessarily limited by the remit and restrictions demanded of such. So, the argument and theory underpinning each article is consequently summarised and directed in such a way as to illustrate the specific area under examination. To some extent, this displays a certain talent on behalf of the researcher to adequately summarise existing evidence in a coherent manner which satisfies peer reviewers but this also effectively narrows the field of argument and risks introducing an element of superficiality. In the work underpinning this thesis however, it is argued that



sufficient reference is made to conceptual argument which is then adequately related to the context of smaller firms to ensure that this is avoided.

Within this thesis a number of substantive subject areas are covered and whilst this does reflect the essentially cross disciplinary nature of researching smaller firms it could be seen as diluting coherence. However, within the papers it is possible to identify wider themes - such as the affect of social characteristics upon self employment and the manner in which management policy and practice is used in smaller firms. Moreover, two particular areas, that of training and development and of gender are developed through a series of papers to facilitate greater engagement with the topic areas with the work on the latter drawn from a wider, funded study of women in self employment. This does raise a further potential limitation. The work by Marlow (1992) and Marlow (1997) was an outcome of funded research hence the limitations of the sponsors underpin the parameters of the research. In the case of the work on ethnicity it was apparent that the sampling criteria imposed by the Training Agency led to specific issues regarding the validity of the research as it effectively excluded many very small, ethnic minority owned firms. This limitation was addressed by exposing this problem both to the sponsors and within the academic dissemination of the work. The work on women in self employment was limited by the parameters of the ESRC bid which underpinned its initiation. As the work progressed, it became apparent that the study would have been strengthened by adopting a longitudinal approach which would have enabled a wider appreciation of the differing development paths of male and female owned firms. However, this was not possible within the funding remit. A further limitation of this work was the dependence on matched samples. Although, in this instance, it is argued that this approach illuminated differences based upon gender it is accepted that there are problems with this methodology as the matching process can always be subject to criticism.

Hence, drawing firm conclusions from work based on such a methodology is not feasible but, as an exploratory study it is felt that the data realised in this study has been useful in informing argument and further study (for example, Marlow and Strange 2000a).

The work is also limited by the researcher herself. Issues of researcher bias impacting upon research processes and outcomes are well documented (see Denscombe, 1998) and might be deemed a particular issue in this specific area of study. It is notable that smaller firm research focuses largely upon the business *man* and is dominated by male researchers. The reasons for this are explored at greater length in Marlow (2001) and Holmquist and Sundin (1989) but the outcome being that research into this subject by women is relatively unusual and thus, could impact upon the research process. During the empirical research process there were no cases when firm owners overtly expressed either a willingness or reluctance to engage with the research because of the gender of the researcher. This argument could also be raised in relation to the work on ethnic minority firm owners - a number of researchers - both male and female, but not representative of the minority respondents, undertook the study. There are obvious limitations here but, it could be argued that if only researchers who reflect the respondent's characteristics engage with their world it could result in reinforcement of common understandings and cultures. This would then fail to review the situation from the stance of the 'informed outsider' instead, relying on shared knowledge and "taken for granted" presumptions. Hence, whilst sensitivity to, and recognition of, researcher impact upon the field is necessary, if appropriately acknowledged it is not always necessarily detrimental to the research process.

The empirical work which underpins this thesis is based upon a qualitative methodology with a focus upon personal interviewing. It is uncritically accepted that this is the most appropriate stance to gain access to the world of the smaller firm owner and this should have



been more explicitly addressed. There is a substantial literature which critically evaluates qualitative methodologies (see Chapter Five) but within the context of these particular articles, there is lack of in depth engagement with methodological debate. Moreover, the validity of the research could have been strengthened through the use of methodological pluralism. The work presented could be criticised for a certain methodological naïvity but, it is important to note that the data is not used to offer definitive conclusions or to generalise the findings to the sector. In the case of Marlow (1992) this work does *inform* policy but on the basis of noting the shortcomings of the original research remit and the consequent outcomes. As such, this work reflects what Curran and Blackburn (2001:127) refer to as the 'messy realities of everyday research' where they note that any work which is based upon the interpretations of social actors will always be problematic and it must be emphasised that all interpretations are provisional. A further limitation to this work might be described as a 'methodological silence' in that considerable data were gathered from the open ended interviewing process which informed the papers. However, the remit of the peer reviewed academic article places boundaries and limits upon how such data is described and presented. Hence, within these papers there is a tendency to cluster data and present it in simple tables using descriptive statistics to identify themes. This does limit exploration of the fine nuances of the data and lends itself to disregarding the contradictory cases but in fairness, these papers reflected contemporary accepted notions of data presentation. This is recognised as an issue but in more recent papers (Marlow and Strange, 2000; Marlow and Strange, 2000a) some attempt has been made to address this issue with the use of broad themes and narrative example to illustrate these themes in greater detail.

Theoretically, the work is diverse which is indeed a strength regarding the range of engagement and it also effectively relates the analyses to issues of smaller firm research.



However, there are some limitations in terms of perspective and depth. For example, the feminist theory underpinning the work on gender reflects a patriarchal analysis (Walby, 1986). In subscribing to this perspective, there is an acknowledgement of structural constraints upon women with some degree of recognition of the impact of the capitalist market economy upon female subordination. This is not explicitly explored within the work but does have certain implications - particularly that any solution to the gender 'problem' cannot be achieved through 'tweaking' existing policy and practice but requires fundamental revision of socially constructed gendered roles. Hence, the perspective adopted does critically inform the perceptions of the data outcomes and this could be considered in more depth. However, in recognition of this critique, a forthcoming paper on women in self employment has focused exclusively upon linking feminist theory and female self employment thus, placing this debate within a more rigorous theoretical analysis, (Marlow, 2001).

Regarding management policy and practice, the work draws on established theory relating to strategic management and human resource development. In the case of emergent strategies, the investigation did experience problems due to the problem of locating the data realised within the concept underpinning the study. This was recognised and in fact was raised as a notable outcome of the research. However, the problem of satisfactorily operationalising concepts remains. In terms of hrd, there is a general referral to training and development with a rather uncritical use of terms. It is now acknowledged that hrd encompasses a wide range of activities which include formal and informal initiatives and embrace training, learning, education and development issues. This is recognised to some extent in Patton, Marlow and Hannon (2000) but needs to be strengthened to offer greater credibility to the arguments raised. Overall, there are a number of limitations to this thesis but, in recognising

them and noting the manner in which the outcomes of the articles concerned are presented, it is argued that there is an overall and useful contribution to knowledge regarding smaller firm competitiveness.

## 6.2 And finally. . . .

This discussion constitutes an analysis and overview of work undertaken by Marlow between 1992 - 2000. The papers underpinning this thesis indicate knowledge of a range of issues which can be drawn together and applied to the notion of competitiveness. The papers indicate that the analysis of the competitive positioning of smaller firms is both complex and challenging whilst demonstrating that the study of such enterprises has to incorporate cross disciplinary analysis. To understand the meanings, experiences and actions of smaller firm owners necessitates the recognition and interweaving of theories and practices from other areas of study then effectively relating these to the smaller firm debate. The papers underpinning this thesis have demonstrated this ability although shortcomings are noted and explored. This thesis has made a critical contribution to furthering the comprehension of this process with a recognition of sector heterogeneity, theoretical complexity and the cross disciplinary nature of pertinent debate and argument all brought together and coherently applied to the notion of smaller firm competitiveness.



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## **APPENDIX ONE.**

### **Joint author declaration.**

**I confirm that in the joint authored paper by Marlow and Strange (1994) the substantive contribution was largely my own with my colleague, Adam Strange acting as 'editor' and joint presenter when an initial version of this work was presented as a Conference Paper.**

**In the case of Patton, Marlow and Hannon (2000) the idea was generated by the paper written by me in 1998 with additional ideas regarding the model being contributed by Dean Patton and Paul Hannon. As Dean Patton presented this article as a Conference paper before revision for journal submission, it was agreed he would act as leading author on this occasion.**

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## **APPENDIX TWO**

### **THE PUBLISHED WORKS.**

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1. Marlow, S. (1992), (1992), 'The take up of Business Growth Training Schemes by ethnic minority owned small firms', *International Small Business Journal*, Vol. 10, no. 4 34 – 46.
2. Marlow, S. and Strange, A. 'Female entrepreneurs: Success by whose standards', in Tanton, M. (ed.), (1994), *Women in Management: A Developing Presence*, London, Routledge.
3. Marlow, S. (1997), 'Self employed women – New opportunities, old challenges?', *Entrepreneurship and Regional Development*, Vol. 9: 199 – 210.
4. Marlow, S. (1998), 'So much opportunity, so little take up: The case of training in the small firm', *Journal of Small Business and Enterprise Development*, Vol, 5, no. 1, 38 – 47.
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**THE TAKE-UP OF BUSINESS GROWTH TRAINING  
SCHEMES BY ETHNIC MINORITY OWNED SMALL  
FIRMS IN BRITAIN.**

**SUSAN MARLOW**

## **The Take-up of Business Growth Training Schemes by Ethnic Minority-owned Small Firms in Britain**

*by Susan Marlow*

One noteworthy feature in the growth of the small business sector since the late 1970s is the emergence of the ethnic minority-owned enterprise. Research has so far failed to establish with any accuracy the number of minority-owned small firms in Britain (Cross, 1985) but Department of Employment statistics indicate that 4.6 per cent of the self-employed population are of ethnic minority origin<sup>1</sup>. From existing research (Ward, 1987; Ward, Randall and Kromar, 1986), it appears that these minority group-owned enterprises are small and concentrated on the marginal edges of specific industrial and service sectors (textile and retail sectors). Little research has been conducted into the growth potential and problems of the ethnic-owned enterprise, for researching the area present several problems –overcoming language barriers, locating firms which operate in marginal, informal sectors and gaining access to small firms where time is a scarce commodity. Moreover, institutionalised racism in contemporary society (Brown and Gay, 1986) acts as a barrier to white researchers aiming to gain the trust of the ethnic entrepreneur.

One source of information relating to small company performance are support agencies Enterprise Councils (TECs), Chamber of Commerce, Commercial Banks, which offer professional consultancy advice to small firm owners. Such agencies offer help to small firms owners in respect of business start-up, management skills and growth issues but the indications from the agency consultants are that they are rarely utilised by ethnic minority business owners. Nor is there any monitoring of workforce ethnicity in white-owned companies assisted by such agencies. Consequently, ethnic-owned firms do not appear to be utilising or benefiting from professional advice. Moreover, we have no knowledge whether employees from ethnic minorities working in white-owned firms are also excluded from working in businesses assisted by such advisors.

In an effort to address these issues, this research takes the example of a business development scheme sponsored by a government advice agency using it as a test case to assess what level of interest exists in such programmes from minority group business



owners. The research also considers interest in such a scheme from white small firm owners who employ a substantial proportion (more than 20 per cent) of ethnic employees.

This paper is organised as follows: firstly, by considering the growth of the small firm sector, followed by an examination of small firm use of business advisors. Secondly, it looks at the emergence of the ethnic minority business owner in the small firm sector. Thirdly, we briefly review the role of white entrepreneurs as minority group employers. Fourthly, we outline the study design used to examine the attitude of ethnic entrepreneurs towards business growth training and advice. Fifthly, the results of this research are presented. Finally, from the evidence of this research, conclusions are offered concerning the degree of interest in formal training, and suggestions as to how such programmes could be made more accessible to the ethnic entrepreneur.

### 1.1 Small Firms and Public Policy in the UK

On the basis of a belief that new, small companies could generate significant number of new jobs at a time, of unemployment crisis, the UK government developed public policy to encourage their formation and growth. Since the advent of the Conservative administration of 1979, measures have been enacted to assist small firms in the UK in areas of taxation, education, employment, funding, company legislation and premises (for a more extensive report see Cross, in Storey; 1988). Although Curran describes this as a 'headlong plunge' into a policy of discrimination in favour of the small enterprise (Curran, 1986: p54), and is critical of the effectiveness of many of these actions, the measures are a clear indication that public policy and funds are firmly committed to supporting the small firm sector.

From research into small firm formation and failure (Storey, Keasey, Watson and Wynarczyk; 1987), it is apparent that small firms do not thrive and grow in a uniform manner. Accordingly, to be most effective, advice and funding programmes need to differentiate between small firm needs on the basis of their size, sector and existing management skills. It has been found that nearly 40 per cent of new businesses fail within 5 years of start-up and of these only approximately 4 per cent will grow to have workforces of more than 50 employees! The small companies most likely to undergo fast growth and feature as significant employers (50 + employees) have been found to exhibit certain tendencies - they are concentrated in specific market niches, have higher retained profits in

the first five years of life, have access to managerial expertise and to have grown rapidly by the third year of existence (Storey *et al* 1987).

Whilst it is not suggested that some firms should be denied assistance because there is little indication that they will grow to be substantial employers, and there is criticism of a 'picking winners' approach (Gibb and Davies, 1989), it is generally agreed that the factors which influence enterprise growth potential should be understood as far as possible. So although government agencies do not discriminate against firms seeking help on indications of growth and employment potential, advice and financial assistance is given according to the business profile on a basis of such aspects as number of employees, turnover and prospects. Using this information, the consulting agencies working in the small firm sector can promote appropriate business growth techniques and practices most likely to help individual companies overcome problems which threaten survival or future growth.

It is apparent that many of the policies of the present government towards small firms are focused on encouraging growth with the belief that growing enterprises will generate employment throughout the economic cycle. This, however, assumes that small firm owners are committed to company growth. However, the decision to overtly avoid company growth is a personal matter controlled by the company owner, for many small company owners the need to retain their independence and control is of greater importance than maximising potential through growth (Bragard, Donckels and Micbel, 1988). Bragard *et al* found that the prospect of external interests exercising authority which might compromise' the owners autonomy, was sufficient to ensure that some owner/managers deliberately kept their enterprises small enough to retain full control.

Where entrepreneurs are not actually adverse to enterprise growth, research by Scase and Goffee (1980, 1982) suggests that in some cases company owners avoid taking any steps to maximise growth as they are aware that, as individuals, they do not have the skills to develop and orchestrate growth strategies. It is these limitations which professional advisors aim to overcome. Yet, having the resources to help small companies is of no use if consultants and advisors cannot gain access to the companies requiring help. It is well documented (Watkins, 1983; Hull, 1987) that owner managers are highly sceptical of external advice for several reasons; they cannot afford it because of financial and time constraints - their concern is with



problem resolution not anticipation and there is suspicion of the 'expert advisor' who might expose the entrepreneurs' own lack of any formal training.

Further research by Durham Business School (Kirby, 1988) and Paisley College (Leyshon and Turner, 1988) into the use of external consultants by small company owners concluded that any form of professional advice should:

- be of particular relevance to the company
  - be inexpensive or cost effective in terms of savings generated
  - contain an incentive for the company to become involved
  - not undermine the owners control of the company
- and
- be initiated by the consultant approaching the company owner personally

Only by incorporating such criteria into advice programmes will small firm owners be encouraged to utilise professional consultants.

## **2. ETHNIC MINORITY BUSINESSES AND THE USE OF PROFESSIONAL ADVICE**

### **2.1 The Growth of Ethnic Minority Companies**

Ethnic minority groups are communities who settle in a host nation, differentiated from the indigenous population by skin colour and/or subscription to noticeably different cultural, religious or value norms. Ethnic minorities are drawn to the host nation by the prospect of employment, the possibility of a higher standard of living and for some, a necessary move from repressive conditions in their home land. Ethnic communities are certainly not fixed in origin. If we take the example of the UK, one of the first sizeable minority groups were the Jews; in more recent times the Irish were considered an ethnic minority community.

Contemporary discussion of ethnic minority groups is taken to refer to communities of Asian, Afro-Caribbean or Chinese origin who now comprise approximately 4.2 per cent of the population<sup>3</sup>.

The available statistics (Employment Gazette, 1988) for ethnic minority entrepreneurs indicate that they form a significant group within the self-employed sector. In December



1988 the Employment Gazette review of economic activity indicated the self-employment accounted for 15 per cent amongst all minority groups compared to 11 per cent of the economically active white population. If this figure is broken down into ethnic divisions the Asian population emerge as the most entrepreneurial with 21 per cent in the self-employed sector. For Afro-Caribbean's the figure is much lower at 5 per cent<sup>3</sup>.

This growth in entrepreneurship is a phenomenon of the late 1970s and 1980s. There is no evidence that prior to the contraction of the labour market in the late 1970s that black and Asian people were any more likely to establish new businesses than the white population. Research (Ward, 1987) indicates that the primary explanation for the growth of ethnic enterprises lies in the contraction of employment opportunities in the secondary labour market (Piore and Sable, 1984) where minority groups have traditionally found jobs.

However, whilst unemployment promotes entrepreneurial activity in all sectors of the community (Curran, 1986) this factor alone cannot account for the rapid growth in Asian enterprise, whilst entrepreneurial activity amongst the black community remains low. Nor does it explain the sectoral concentration of Asian enterprise in the subcontract area of the textile and the small retail outlet or Afro-Caribbean propensity for construction and food retailing.

In terms of Asian enterprise, existing studies (Ward, Randall and Kromar, 1986; Saker, 1988) conclude that Asian entrepreneurs have preferential access to limited, low cost funding from family sources, and use community networks to find cheap labour. A labour force with little support from trade unions but strong family or community-based commitment to the enterprise facilitates over time working, acceptance of rapid changes in production methods or short time working as appropriate. The competitive advantage this affords over non-Asian-owned enterprises gives rise to a relatively captive market and thus encourages further new business formation amongst the Asian community. Such business resource advantages favours the sub-contract textile sector as it:

- utilises Asian female labour which, due to disadvantage in the labour market in general, is very cheap
- requires a workforce willing to work overtime or change production methods rapidly dependent on the market, which the family or community-based commitment from Asian labour supports

- does not require specialised premises or technology
- requires a low level of capital because of cheap labour and low fixed costs.

In terms of small retail outlets, survival is based again, on utilising cheap family labour working long hours located in areas where property is cheap and an existing minority population will utilise the outlets (McEvoy and Aldrich, 1986).

This leads Sowell (1981) to describe these advantages in terms of 'self-correcting discrimination', in that ethnic minority entrepreneurs are actually benefiting from discriminatory barriers in society which make cheaper resources available within their own community. If considered thoughtfully, however, this argument must be rejected. What constitutes advantage in the initial stages of company life forms massive barriers to future growth and expansion.

Although the market may be captive it is also limited to low entry cost sectors where survival is dependent on remaining fiercely competitive. The level of investment required to restructure a business to move into a more stable sector is usually beyond family resources. Although the Asian business community has a positive image with banks (Wilson and Stanworth, 1986), the access to institution funding is dependent on formal presentation of the business and its future prospects, which presents difficulties for enterprises whose survival is based on informal networks and cost-cutting measures. Moreover, the cost of institution finance compared to family funding can be prohibitive in such highly competitive sectors (Ward, 1987).

The lack of additional funds, however, ensures that the enterprises remain on the marginal edges of industrial sectors as they cannot invest in expansion programmes which use more advanced technology and skilled labour, or which depend on buying or leasing larger premises. As Curran (1988) points out, the presence of ethnic minority enterprises in a sector is not necessarily an indicator of economic success but as simply another area in which white entrepreneurs could not survive and where ethnic entrepreneurs struggle to get by.

No differences have been found in motivation for business start-up between black and Asian entrepreneurs. Yet, from a study of business formation and failure by black and Asian entrepreneurs in London (Wilson and Stanworth, 1986) it emerges that the failure rates for



both groups were similar but the formation rates showed considerable difference. Afro-Caribbean's were found to have a formation rate of 10 per cent compared to that of 22 percent for Asians<sup>6</sup>.

This study by Wilson and Stanworth (1986) concludes that Afro-Caribbean's did not have the business resource advantages of the Asian community to facilitate start-up and therefore are forced to rely on external institutions with the added costs incurred. Although black enterprise has a propensity to concentrate in construction [where over half of Afro-Caribbean businesses are found (Brown, 1984)] and retail catering, they have no particular advantages in business funding and labour availability (such as those enjoyed by Asians in the textile sector) apart from being favoured by their own communities which has obvious limitations. In consequence, external funding agencies are far more cautious in relation to black entrepreneurs than their Asian counterparts. A secondary effect of the low formation and slower growth rates in black business is a negative image of the black entrepreneur within agency circles (Bose, 1982). This combination of social discrimination and lack of competitive advantages is reflected in the comparatively low level of entrepreneurial activity amongst Afro-Caribbeans.

## 2.2 Government Policy, Small Firms and Ethnic Minority Enterprises

A major source of professional advice and financial support to small firms are the state-funded agencies such as TECs. State-sponsored schemes have been established to encourage business growth and employee training, they are designed for a range of business types -new or established, large or small. Whilst it has been recognised that the business profile is of utmost importance in assessing advice and support needs, there has been little recognition that factors such as ethnicity or gender also effect the type of help and advice necessary. Recently, however, Central and Local Government assistance specifically for small ethnic minority-owned companies has been forthcoming. Local Government grants have been made available to develop Clothing Resource Centres which offer training schemes and access to computerised design and manufacturing techniques for ethnic-owned textile companies (the West Midlands has such centres in Birmingham, Smethwick and Coventry). Central Government have funded local agencies to deal specifically with business advice for ethnic entrepreneurs, for example, Black Business in Birmingham. In the private sector, the



Birmingham Chamber of Commerce has initiated an Asian Institute of Management strongly supported by small firm owners.

These institutions are a useful consultancy resource for ethnic entrepreneurs but, as we have already noted, most small firm owners, regardless of ethnicity, are reluctant to make approaches to such organisations. Furthermore, these institutions do not address growth constraint problems specific to ethnic enterprises so it is not surprising that ethnic minority business owners rarely consult the professionals.

This has been recognised by the Government and in 1989 the Home Office established the Ethnic Minority Business Initiative (EMBI) which monitors the quality and type of advice available to minority-owned small businesses from their work to date, the EMBI suggest that more information relating to the availability of government advice and funding is crucial as is the manner in which the information is targeted. The EMBI argue that the dissemination of information is a key problem and recommend the use of polytechnics and existing development agencies to become involved with and publicise available schemes and advice.

Yet, despite publicity, investigation and substantial financial grants the indication from government agencies (information based on Training Agency [now TECs] statistics, 1989) there has been little use of formal business growth training or professional advice programmes by ethnic minority entrepreneurs.

### 2.3 White Entrepreneurs as Minority Group Employers

There is a considerable literature that considers employment discrimination, equal rights in employment and racism within society (Brown and Gay, 1986; Jenkins and Solomos, 1987; Lustgarten, 1986) which concludes that racism is an institutionalised element of daily life for ethnic minority groups. There is no doubt that in the employment market, black and Asian employees are concentrated in the secondary sector where pay and conditions of work are at their worst.

Whilst some white employers favour ethnic minority employees because they are willing to undertake unskilled work at low pay in poor conditions (Allen, 1977) it cannot be presumed

that all employers perceive ethnic employees in such an instrumental fashion. As part of this study we will evaluate the attitude of white entrepreneurs with a significant proportion of minority employees towards business growth training, where a significant element of the programme involves training opportunities for such employees.

Thus, the purpose of this research is to consider factors influencing the use of government sponsored business growth training and professional advice by ethnic entrepreneurs and whether changes are required to the programmes to make them more accessible to ethnic minority firm owned. The study also evaluates the attitude of white entrepreneurs with a substantial number of minority employees towards formal schemes.

### **3. STUDY DESIGN**

362 small companies of between 20 and 500 employees were identified in the West Midlands in selected urban areas. These areas, Birmingham, Coventry, Sandwell/Dudley and Wolverhampton, are known to have a concentration of small firms either owned by a member of an ethnic minority or have at least 10 per cent of their employees from a minority group.

Extensive questionnaires were administered to either the owner or a member of senior management from each firm to ascertain the degree of interest in business growth training. The example employed in this instance was a scheme using professional management consultants to develop a business plan for the firm which incorporated expansion and employee development. In the results 'this scheme is described 'as 'business growth training'. It was clearly indicated that substantial financial help would be available for expenses incurred but also a high degree of commitment from the business owner was essential to the success of the scheme. Interest in formal training was assessed and the results of the study are presented in the following section.

### **4. RESULTS**

From the sample of 362 firms identified in the West Midlands as eligible for formal assistance, contact was made with 320. Of those, 84 (26 per cent) were owned by Asian



entrepreneurs and 220 (68 per cent) were owned by white entrepreneurs with at least 20 per cent of their workforce from a minority group, the remainder is accounted for by non-respondents to this question. Unfortunately, it was not possible to locate enterprises owned by Afro-Caribbeans or other ethnic groups with a workforce and management structure which made them eligible for the study. This is reflected throughout the results where comparisons based on ethnicity will be between Asian-owned enterprises and white entrepreneurs who are minority group employers.

‘Interest’ is defined as those owners who expressed clear enthusiasm for growth training and made an appointment to meet a professional consultant and discuss the scheme in depth.

44 per cent expressed a positive interest in business growth training

39 per cent expressed no interest in business growth training

17 per cent non-responsive.

<div>TABLE 1</div> <div>INTEREST IN BUSINESS GROWTH TRAINING AND ETHIICITY</div>						
<i>Interest</i>	<i>Asian</i>		<i>White</i>		<i>Total</i>	
	<i>N</i>	<i>(%)</i>	<i>N</i>	<i>(%)</i>	<i>N</i>	<i>(%)</i>
No Interest	37	(44)	105	(49)	142	(48)
Interested	47	(56)	110	(51)	157	(52)
Total	84	(100)	215	(100)	299	(100)

Analysing this interest by ethnic origin (Table 1), it emerges that in proportionate terms there is little difference between the groups.

#### 4.1 Sector

By adding sector influence to this data, it can be ascertained if the firms in this sample are sectorally concentrated and whether interest in Business Growth Training varies according to sector. This is shown in Table 2.

Two areas of clear sectoral concentration emerge. 73 per cent of all Asian entrepreneurs are in the Textiles sector, which reflects our prior discussion relating to ease of access and business resource advantage for Asians in this particular industry. Asian entrepreneurs are

almost absent from the Engineering sector which is dominated by white entrepreneurs with an ethnic labour force.

TABLE 2 ETHNICITY, SECTOR AND INTEREST IN BUSINESS GROWTH TRAINING												
Sector	Interest		Asian No Interest		Total		Interest		White No Interest		Total	
	N	(%)	N	(%)	N	(%)	N	(%)	N	(%)	N	(%)
Engineering	3	(50)	3	(50)	6	(100)	36	(55)	29	(45)	65	(100)
Textiles	36	(59)	25	(41)	61	(100)	11	(55)	9	(45)	20	(100)
Other	7	(41)	10	(59)	17	(100)	63	(48)	67	(52)	130	(100)
Total	46	(55)	38	(45)	84	(100)	110	(51)	105	(49)	215	(100)

From Table 3, it emerges that interest in Option 3 from the Asian Textile sector, at 59 per cent, is higher than interest from Asian-owned firms in all other sectors at 45 per cent.

TABLE 3 SECTORAL INFLUENCE ON INTEREST IN BUSINESS GROWTH TRAINING AMONGST ASIAN-OWNED FIRMS						
Sector	Interest		No Interest		Total	
	N	(%)	N	(%)	N	(%)
Textiles	36	(59)	25	(41)	61	(100)
Other	10	(45)	13	(55)	23	(100)
Total	46	(55)	38	(45)	84	(100)

One explanation for this difference is that a severe shortage of skilled machinists in the Textile Industry where the opportunity to utilise a funded training scheme may be attractive incentive to businesses searching for skilled operatives.

4.2 Size

In terms of firm sizes which is measured by number of employees, given that this defines eligibility for this study, Table 4 shows that Asian-owned businesses are clustered in the middle band of employment whereas the white-owned firms are more evenly spread across a range of sizes.



<b>TABLE 4</b> <b>FIRM SIZE AND ETHNICITY</b>						
<i>Firm Size</i>	<i>Asian</i>		<i>White</i>		<i>Total</i>	
	<i>N</i>	<i>(%)</i>	<i>N</i>	<i>(%)</i>	<i>N</i>	<i>(%)</i>
<25	19	(26)	40	(21)	59	(22)
25—50	44	(60)	66	(35)	110	(42)
>50	10	(14)	84	(44)	94	(36)
Total	73	(100)	190	(100)	263	(100)

<b>TABLE 5</b> <b>FIRM SIZE, ETHNICITY AND INTEREST IN BUSINESS GROWTH TRAINING</b>												
<i>Firm Size</i>	<i>Asian</i>						<i>White</i>					
	<i>Interest</i>		<i>No Interest</i>		<i>Total</i>		<i>Interest</i>		<i>No Interest</i>		<i>Total</i>	
	<i>N</i>	<i>(%)</i>	<i>N</i>	<i>(%)</i>	<i>N</i>	<i>(%)</i>	<i>N</i>	<i>(%)</i>	<i>N</i>	<i>(%)</i>	<i>N</i>	<i>(%)</i>
<25	15	(54)	13	(46)	28	100	19	(25)	57	(75)	76	(100)
25—50	26	(59)	20	(41)	46	100	34	(66)	17	(44)	51	(100)
>50	6	(60)	4	(40)	10	100	57	(64)	31	(46)	88	(100)
Total	47	(56)	37	(44)	84	100	110	(51)	105	(49)	215	(100)

Table 5 examines whether the size of the firm affects interest in Business Growth Training. Asian-owned businesses throughout the size band distribution appear to exhibit a similar level of interest in the scheme. Amongst the smallest white-owned firms only 25 per cent of respondents expressed an interest in Business Growth Training, thus firms which had already experienced some growth had a greater interest in formal growth training and advice.

#### 4.3 Training in Progress

89, or 28 per cent of the enterprises approached, already had training schemes in operation which they felt were adequate for their needs. The schemes can be categorised as, ‘in-house’, industrial organisation-based or bought in from external agencies (such as DTI schemes, Management Consultant advice). Table 6 shows that when training was in progress it was primarily ‘in-house’.

<b>TABLE 6</b> <b>TRAINING IN PROGRESS</b>		
<i>Training,</i>	<i>N</i>	<i>%</i>
‘In-house’	44	(49)
Trade Association	17	(19)
External Agency	24	(27)
Other	4	(5)
Total	89	(100)

If existing use of training schemes and the ethnicity of the businesses owner are examined (Table 7), it emerges that white-owned firms with minority employees are more likely to have initiated some form of training programme than Asian companies.

TABLE 7				
ETHNICITY AND ESTABLISHED TRAINING				
<i>Training,</i>	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>
Training Established	17	(20)	72	(33)
No Training	67	(80)	143	(67)
Total	84	(100)	215	(100)

Establishing that white-owned businesses are more likely to have existing training schemes does not mean that the Asian firms (or the white-owned firms with no training programmes) have no interest in training. From the whole sample, only 26 (8 per cent) emphatically stated they had no interest in training whatsoever and would refuse to consider any form of employee or management training. As Table 8 demonstrates, no evidence emerges that lack of interest is concentrated in either Asian or white-owned firms.

TABLE 8		
LACK OF INTEREST IN TRAINING AND ETHNICITY		
<i>Ethnicity</i>	<i>No Interest in Training</i>	
	<i>N</i>	<i>%</i>
Asian	7	(8)
White	19	(9)
Where Asian N=84		
Where White N=215		

Conclusion

The evidence from this paper indicates that minority group entrepreneurs and white small firm owners with a substantial proportion of their employees from ethnic minorities have a genuine and considerable interest in developing their businesses through the use of formal business growth training and professional advice. Controlling for factors such as ethnicity, size and existing training schemes does not substantially effect the degree of interest in formal growth training advice schemes.

However, the level of interest discovered by this study is certainly not in evidence in terms of substantive take-up of professional consultancy or sponsored advice schemes. It could be argued that this reflects the arguments of Bragard *at al* that whilst small firm owners



recognise the usefulness of professional help, they are reluctant to use formal schemes. However, if this were the case, it is unlikely that the owners would commit themselves to a follow-up consultation from a professional advisor involving in-depth discussion of business management. Rather, we would argue that the problem lies with the identification of the market for this type of help and getting the information to the firm owners.

Yet, if the professional advisors are to offer really pertinent help, they must familiarise themselves with the problems and needs of the industrial sectors where the firms are concentrated (for example, in the case of Asian-owned firms, the textile industry) and construct strong links with existing community agencies where jointly developed and administered schemes would be welcomed.

Where formal training and advice schemes are dependent upon the knowledge of business professionals such as management consultants, bankers and accountants there appears to be no effort made to identify or utilise professionals from minority groups. This was remarked upon by community workers and the business owners themselves who felt that many of the problems and needs were not only those of being a small firm owner, but were directly linked with their ethnicity. Thus, regardless of the quality of the professional advice, unless the consultant understood these needs and problems, ideally by originating from a minority group, their advice may be misguided.

In terms of differences between small firms owned by white business men, compared to Asian business men (there were no women in this sample) who employ substantial numbers of minority employees, the only noticeable difference was a greater use of employee training schemes and a greater enthusiasm from larger firms towards formal growth training with professional assistance. It was not possible to identify exploitative attitudes towards minority employees from the evidence of this research. The factors we have drawn attention to will go some way to building the bridge between small firms owned by ethnic minority members and those with minority employees who are enthusiastic towards formal business growth training and advice and the professional consultants willing able to provide it.

## Notes

- <sup>1</sup> *Employment Gazette*, 'Ethnic Origins and the Labour Market', Vol. 96, 1988, p. 635.
- <sup>2</sup> Store, D. J., Watson, R., and Wyncarczyk, P., 'Fast Growth Small Business', Research Paper No. 67, Department of Employment, 1988, p. 1.
- <sup>3</sup> Khan, G., 'Size and Growth of Asian-owned Incorporated Businesses in Britain', In *International Small Business Journal*, Vol. 7, No. 1, 1988, p. 10.
- <sup>4</sup> *Employment Gazette*, *op cit*, p. 686.
- <sup>5</sup> *Ibid*, p. 686
- <sup>6</sup> Wilson, P., and Stanworth, J., 'Growth and Change in Black Minority Enterprise in Britain', *International Small Business Journal* Vol 4, No.8, Spring 1986, p15.

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**FEMALE ENTREPRENEURS - SUCCESS BY WHOSE  
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## **Chapter 10**

### **Female entrepreneurs — success by whose standards?**

**Sue Marlow and Adam Strange**

#### **INTRODUCTION**

The last fifteen years have seen the emergence of an 'Enterprise Culture' in which entrepreneurial behaviour, particularly the start-up of new small firms, has been afforded a central role. Indeed, the small firm sector is now a major focus for policies of economic regeneration and employment creation throughout the developed world (Storey *et al.* 1987). As Birley (1989) notes of the British case, 'increasingly, all sectors of the population are being urged to consider self-employment' (p. 32), going on to draw attention to the plethora of schemes which encourage and facilitate new business start-up, for example, Enterprise Allowance, TEC (Training and Enterprise Council) programmes, Graduate Enterprise, Firm Start, Ethnic Minority Business Initiative, Women's Enterprise Development Agency. The British experience is paralleled throughout the major economies of the world (Crossick 1986; D'Amato 1986; Goffee and Scase 1987; Thompson and Thompson 1990).

One consequence of the growth of the enterprise culture is the considerable academic resources which have been spent researching entrepreneurship, made manifest as new business start-up. From this base, business growth, operating problems and small firm failure have also been the subject of great investigation (Storey *et al.* 1987). Until recently, however, this research has been largely gender blind. Major studies of the small firm sector carried out in the 1970s and early 1980s (for example the Bolton Report 1971; Storey 1982) did not consider gender as a variable which might influence the process of business formation or the experience of enterprise ownership. As Holmquist and Sundin (1989) state, 'entrepreneurial theories are created by men, for men and are applied to men' (p.1), the implication being either that women do not own small firms, or that those that do act no differently from men. The lack of academic analysis of gender-related issues reflects a male-dominated approach which presumes that women act from similar motivations and look for similar rewards from entrepreneurial activity as their male counterparts.

It is even more difficult to understand the omission of gender discrimination from the research agenda of business ownership, given that studies of segmentation in the labour market had focused clearly on the issue of gender from the 1960s (Doennger and Piore 1971), whilst feminists have drawn attention to women's subordination in social, economic and political terms for centuries (Wolstonecraft 1792; Hamilton 1909; Rowbotham 1973). Given that business ownership is clearly an occupation which generates an income for the entrepreneur (and is classed as an occupation by the Department of Employment) there has been a lamentable lacuna in the academic research arena regarding the female experience of enterprise ownership. As recent figures indicate that between 1981 and 1989, female self-employment rose by 81 per cent compared to 51 per cent amongst men and, moreover, women now constitute 24 per cent of the self-employed in Britain, there can be little justification for the exclusion of gender-related discrimination from the analyses of issues surrounding small firm ownership (Daly, 1991: 112).

This lack of consideration of female entrepreneurship has ensured that the decision-making processes of funding agencies and policy-makers have been informed almost entirely by analyses of the experiences and actions of male business owners. Consequently, women are judged by parameters which, we would argue, do not take account of extraneous factors which are extremely pertinent to women, for example, gender-based labour market discrimination and domestic responsibilities. Such constituent factors can produce fundamental differences in motivation between men and women who undertake business ownership, which have significant implications for the way in which business success is defined by the entrepreneur herself.

This chapter focuses specifically upon the interaction between gender influences and the attribution of 'success' to small firms. Existing studies commonly define success in accountancy-based terms, such as profitability, turnover and key financial ratios (Chaganti and Chaganti 1983; Hornaday and Wheatley 1986; Thomas and Evanson 1987). The theme of this chapter, however, is that any assessment of success for small firm ventures should take account of why men and women begin their businesses, what problems business ownership overcomes and generates for the owner and, specifically, what the firm owners actually wish to achieve for themselves.



In this chapter we will be, firstly, considering the motives which predispose men and women to enter self-employment; secondly, arguing that definitions of performance and success traditionally employed in small business research are inappropriate to the study of many ventures, and in particular to the study of the majority of female enterprises; and concluding with the view that not only is gender a crucial variable in the assessment of business performance, but that small firm ownership does not, in fact, offer escape from labour market discrimination for women.

### **REASONS FOR CHOOSING BUSINESS PROPRIETORSHIP**

It is commonly recognized that individuals' motives for seeking self-employment are numerous and diverse. Research (Goffee and Scase 1985; Cromie 1987) indicates that, superficially, men and women share some common areas of motivation for undertaking business ownership (job dissatisfaction, desire for autonomy, and so on). However, although both men and women were looking for autonomy through proprietorship, Goffee and Scase (1985) found that women wished specifically to escape the male domination of employers and husbands. Similarly, although Cromie (1987) found that men and women were similarly motivated by the desire for autonomy and by dissatisfaction in their previous job, women placed significantly more importance on the needs of childcare and feelings of longer-term career dissatisfaction. Men were found to focus more clearly upon financial gain as a strong motivator towards self-employment. Both studies, however, found that contributing towards women's decision to enter self-employment were experiences of discrimination in the waged labour market specific to their sex.

It is clear that, despite positive legislation and initiatives such as 'Project 2000', women still experience discrimination within the waged labour market because of ascribed social characteristics (Hunt 1988). A useful analytical framework to explore labour discrimination within a market economy is the dual labour market theory where Doeringer and Piore (1971), argue that the labour market consists of two major elements, a primary and secondary sector, where:

jobs in the primary market possess high wages, good working conditions, employment stability, chances of advancement, equity. . . . whereas secondary

market [jobs] tend to have low wages and fringe benefits, poor working conditions, high labour turnover, little chance of advancement and arbitrary supervision.

(Doeringer and Piore 1971: 165)

Research indicates that women and racial minorities are a major constituent of the secondary labour market (Beller 1982; Craig et al. 1982; Feminist Review 1986). This arises as individuals are ascribed characteristics based upon stereotypical images of the groups to which they are assigned. Thus, it is presumed that, as women are largely responsible for domestic labour and childcare, they are less reliable employees with a primary commitment to the home rather than the waged labour. Consequently, women are judged as a group to have a volatile attachment to employment and, as they take time out, or disappear altogether from the labour market due to the demands of 'family formation', to be a poor investment as an employee. Moreover, because of the difficulty some will experience achieving promotion premised upon organisational norms of unbroken service, it is concluded that women are less able than men (West 1982)

Evidence from a survey by the Institute for Employment Research (1985) concludes that the period of 'family formation' leads women to undergo severe downward occupational mobility with an extremely limited opportunity for recovery. The recovery is so limited because the majority of women re-entering the labour market after 'family formation' do so as part-time workers in order to accommodate childcare, domestic labour and waged work. Elias (1988) reflects many other commentators (Doeringer and Piore 1971; West 1982) when he comments that 'part-time jobs are concentrated within a narrow band of occupations, principally in areas of low-skill personal service work . . . [or] at the lowest hierarchical level within the vertical structure of an occupation group with disproportionately fewer fringe benefits' (Elias 1988: 101).

But, disregarding structural social hurdles, there is no evidence to suggest that within the population ability to undertake primary sector occupations is affected by either sex or race. The dual labour market approach has been subject to extensive critical analysis, focused particularly upon the usefulness of a dichotomous division of the labour market given the complexity of the modern economy (for a more extensive discussion and critical analysis, see Craig et al. 1982). It is argued that rather than distinct sectoral division, there is a continuum of conditions from primary to secondary labour markets, with areas of overlap



constantly fluctuating according to labour market conditions, such as levels of unemployment, trade union strength, and so on, all of which affect sector parameters. Thus, in tight labour markets women will be drawn into primary sector occupations where provision will be made to accommodate alternative demands upon their time. However, in accordance with the theory of a reserve army of labour (Marx 1956), this sector of the working population will be the most vulnerable during times of recession, whereupon social characteristics, such as the presumed unreliability of female labour because of their primary affiliation to the domestic sphere, will be drawn upon to facilitate and justify labour shedding.

An alternative critique of the dual labour market theory suggests that the division of labour between sectors with differentiated rewards is an efficient use of human capital. Indeed, there is seen to be a reciprocal relationship between the family and the labour market, where part-time work and jobs which do not demand a high level of personal commitment enable women to 'fit' waged work around domestic tasks. The neo-classical economists, Mincer and Polachek (1980), suggest that 'foregoing the market-orientated human capital of mothers is part of the price for acquiring human capital in children, and, more generally a price exacted by family life' (p. 203). This makes a massive presumption that market conditions dictate social organisation, that family life with a male partner offering financial support is natural and available to every woman, that domestic labour is primary for women, and that the rearing of the next generation makes women's rights as waged labourers expendable.

The interaction between the economic and social organisation of society is highly complex, but we would refute the notion that it is acceptable or necessary for women to forfeit equality in labour to ensure the next generation of labourers, an argument critically examined by Mackintosh (1982). Land (1980) argues convincingly against the notion that most men earn a 'family wage', whilst empirical studies of women in waged work (Pollert 1981; Cavendish 1982; Westwood 1986) support Land in concluding that women's wages are not the euphemistic 'pin money', but are essential to the family to maintain an acceptable standard of living. Moreover, it is not a minority of women in our society who are engaged in waged work. In 1985 the Institute for Employment Research found that only 18 per cent of women fitted the stereotypical 'housewife' models; clearly the presumptions, upon which Mincer and Polachek draw concerning contemporary social conditions promoting efficient use of

human resources are based upon false premises (Institute of Employment Research 1985: 24).

There have been attempts to redress the structural inequalities women face within the labour market, mainly through a series of legislative acts attempting to make the labour market more equitable. However, the legislation has largely proved to be ineffective; for example, the Equal Pay Act (1976) applied only to those women who could compare their job to a man's job with the same employer and prove that the only source of differentiation was the gender of the employee. The 1984 amendment to this Act established the principle of equal pay for work of equal value, but it is not clear whether part-time and full-time work can be compared, with the onus being upon the individual to prove her case through complex legal procedures. Research (Lonsdale 1985) establishes that discrimination against women within the labour market cannot be effectively countered by legislation alone. The ghettoisation of women into secondary sector employment makes the concept of 'like work' comparisons with primary sector employment irrelevant.

It can be seen that women form a substantial element of the secondary labour market because of the need to accommodate waged work with domestic labour, which restricts choices in employment. For those women without families or domestic responsibilities, for whom this accommodation is not necessary, the expectation is that they will eventually conform to the stereotypical image of women, which prioritises the domestic sphere.

### **WOMEN IN THE SMALL BUSINESS LITERATURE**

Self-employment offers one solution to women whose careers have been interrupted or cut short by childcare, and is one form of waged work which allows greater flexibility to accommodate domestic tasks. Thus Vinnicombe (1987) identifies business start up as an alternative which offers a 'coping strategy' in response to such limitations (together with working part-time or not at all). The attractiveness of proprietorship as an employment strategy for women with children has also been illustrated by Hertz (1985) in the United States. From her research sample she found that only 39 per cent of female executives were mothers, compared with 74 per cent of those who were self-employed (Hertz 1985: 33). Furthermore, from a study of over one thousand female proprietors in Sweden, Holmquist



and Sundin (1989) found that the ability to combine domestic and economic roles was the most often cited single motive for women undertaking business ownership.

Stanworth et al. (1989), however, challenge this view of female entrepreneurship as a subordination response, or a reaction against dependence upon men, arguing that this could be a 'premature consensus'. It is suggested that the studies upon which these conclusions are based depend upon samples with a bias towards single, divorced and separated women (Watkins and Watkins 1984; Goffee and Scase 1985; Cromie 1987; Carter and Cannon 1988), and thus leads to an inaccurate representation of the 'real' situation.

Birley (1989) lends some support to the critique developed by Stanworth et al. (1989), as she finds few differences between the motivations of male and female entrepreneurs:

Of the four motivations identified by Goffee and Scase (1985), three, avoiding low-paid occupations, escaping supervision, and the constraint of subservient roles (in the incubator organisation) - are directly comparable. . . It would seem that females are motivated by the same need for money, wish to be independent and identification of opportunities similar to their male counterparts.

Such arguments as those outlined by Birley (1989) are useful, as they remind us that women cannot be treated as an homogeneous group. Indeed, as we have noted, the trend in small business research is to treat all women as 'honorary men' and we should not reflect this type of group assessment by presuming that all women share similar motivations for business start-up. Whilst it cannot be denied that previous research may be limited by methodological difficulties, the arguments developed within this chapter are based upon solid evidence from labour market studies (Cockburn 1983; Rubery 1988; Low Pay Review 1987) which confirm that women are discriminated against as a group within the employment market. Thus, whether married, single or divorced, business ownership is one clear accommodation tactic, amongst others, to side-step discrimination in employment.

It is not disputed that, at least on the surface, motivations for business start-up may in some respects appear similar for both men and women, but critically, the experiences underlying these motives are very different. If the existing evidence from the female entrepreneurship studies is informed by the extensive analysis offered by the labour market theorists (above),

it is a coherent conclusion that the position and role of women within society currently and historically predisposes them to a set of reasons for pursuing self-employment which is unique to their sex.

If, as it is argued, social and economic pressures prompt women to undertake business ownership, it is likely that women will have differing expectations of the experiences of entrepreneurship than men. If such expectations are met, for example, combining waged labour with remaining at home, and at least sufficient profits made to keep the business viable, we would describe the business as successful. Yet so often, business success is equated with business performance. In fact many firms which are fulfilling the ambitions of their owners are neither growing, in accounting terms, nor acting as significant employers. This, we suggest is often the case with small firms owned by women, and we now turn to review the manner in which business success is measured in existing literature, and whether such measures are always appropriate for women-owned businesses.

## **BUSINESS SUCCESS**

Kelmar (1990) reports the results of a literature search to determine how small business success and failure have been measured in previous studies. The search resulted in the detailed examination of forty chapters addressing the question of success, and sixteen on failure. From this Kelmar finds that the indicators of 'growth' (business, organisational, employment, productivity) and increased sales are the most-frequently-used measures of business success. In studies of failure, financial indicators such as bankruptcy and the calculation of key financial ratios were predominant. As Thorpe (1989: 1-11) notes:

The normative models so often used in disciplines such as marketing, accounts and general management almost always view success from the point of view of an external agency. Success, depending upon whether you are a venture capitalist, a bank manager or a local authority is viewed in terms of jobs created, or wealth created.

Even these objective measures are not directly comparable, and are certainly not interchangeable as alternative indicators of performance. In practice, however, success or failure is a much more individual experience than can be reflected by across-the-board



application of such measurement criteria. As Thorpe goes on to argue, '... the owner manager and his business are one and the same' (p. 4), with the fortunes of the two being inextricably linked. It follows, therefore, that the success or failure of a venture should be assessed, at least initially, in terms of the founder's own motives for setting it up. The aims and expectations of all proprietors cannot be assumed to be similar. Indeed, one person's failure may be another's success (Kelmar 1990). This is not a situation which can be adequately reflected by uniformly applied accountancy-based measures.

It is especially important that this question of definitions of success should be resolved in future studies of female proprietors. As has already been suggested, self-employment performs an important role for many women, which cannot be measured in these traditional terms. All businesses must be financially viable on some level in order to continue to exist. Beyond this, however, an enterprise which functions effectively as a 'coping strategy' for one or more women must also be seen as being 'successful' in terms of the reasons for which it was set up. As Carter and Cannon (1988) found, 'Women generally regarded success in terms of how well the business met individual needs rather than in conventional terms of profitability and income gained' (p. 50).

### **SELF-EMPLOYMENT AS A LIBERATING EXPERIENCE FOR WOMEN**

As a final point, it is important to note, however, that it is unlikely that business ownership will prove to be successful as a liberating experience for many women, given that those who choose this option in order to accommodate the demands of domestic labour are, by definition, still undertaking a dual role. Being self-employed is by no means an undemanding way of life, and female entrepreneurs can usually expect little assistance from other family members with their domestic tasks, with the result that they find themselves pulled in two directions, between the competing demands of home and work. Meanwhile, discrimination remains a problem for women in self-employment just as in employment, with the area of finance provision being particularly notable in this respect (Carter and Cannon 1988). Bank managers are still reluctant to fund female ventures, particularly those which stray beyond traditional feminised occupations.

In addition, if we review the sectors in which women-owned businesses predominate, they are found in the areas we have described as secondary sector in the employment market. Hakim (1987) finds that 29 per cent of female-owned firms are in consumer services (for example, hairdressing), and whilst 39 per cent are in manufacturing, 60 per cent of these businesses make clothing (Hakim 1987: 4). Holmquist and Sundin (1989), with a large sample of over 1000 women-owned firms, found the majority to be concentrated in personal services, catering and small retail. Thus, the low-paid, low status, tenuous nature of employment is reflected in low profit, highly-competitive areas of business ownership for women. The enterprise culture is not heralding new choices or new forms of freedom for the majority of female small firm owners.

## **CONCLUSIONS**

Women are constrained in their choices in the employment market by their responsibility for domestic labour. Due to the nature of the waged labour market, women find themselves marginalised in the competition for primary sector employment, and disadvantaged in achieving career progression.

Thus, self-employment is an attractive proposition in as much as it allows women the opportunity to accommodate the conflicting demands of domestic and waged labour. Although it has been argued that men and women share some common motives for business start-up, women's experience of subordination colours and influences their motives. For men, self-employment is an individual response to an individual situation. For women, it is an individual response to the effects of group stereotyping, based upon presumptions arising from gender discrimination.

If, as is suggested, the reconciliation of the competing demands of waged and domestic labour is a major factor in women's decisions to undertake business ownership, achievement of such an accommodation must be seen as an important indicator of a successful business. Current policies aimed at small firm owners presume constraints and goals for business ownership which, at present, are inappropriate for female entrepreneurs. Women may have strong ambitions to be successful small firm owners in terms of profit, growth and employment. However, the barriers of social and economic discrimination experienced by



women as a group over many years, mean that these are difficult to achieve. Policy-makers and advisers in the area of small businesses must take account of such factors, if they realistically wish to assist women. For example, time management for those involved in accommodating domestic and waged labour should be a policy issue. Likewise, 'networking' is a 1990s catchword, but business 'networking' for women will include support groups for women business owners who share similar problems related to accommodating conflicting domestic and business demands.

As a group, women have a legacy of negative discrimination, which dictates that certain fundamental motives for business ownership are specific to their sex. As such, the issue of gender must be afforded serious attention in any assessment of business success. This is not to deny that businesses, regardless of the gender of the owner, have to make sufficient profit to remain viable but rather to suggest that current definitions of business success are too narrowly focused to the exclusion of other important extraneous variables such as gender.

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**SELF EMPLOYED WOMEN - NEW OPPORTUNITIES, OLD  
CHALLENGES?**

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## Self-employed women – new opportunities, old challenges?

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In this paper it is argued that the gender of an individual entering self-employment will significantly affect the experience of owning a business. Given that women are subject to patriarchal pressures that underlie their subordination in society, it is argued that being female will affect the experience of self-employment from initiation of the firm, to development of the enterprise through to the manner of daily management challenges. This hypothesis is evaluated through a matched study of male and female small business owners where the effect of gender upon the experiences of small firm ownership is evaluated.

*Keywords:* women; small firm ownership; discrimination.

### 1. Introduction

Levels of self-employment in the UK experienced 'unprecedented growth' between 1979 and 1989; the number of self-employed individuals nearly doubled during this period, reversing previous trends (Daly 1991: 109). By 1993 there were 3.157 million self-employed people in the UK, representing 12.9% of total employment (Meager *et al.* 1994, p9). However, while male self-employment had risen by some 82% by Spring 1990, there had been a disproportionate rise in the number of female self employed – the number of women in business in 1993 was two-and-a-half times greater than in 1979 (Meager *et al.* 1994).

One effect of this rapid increase in female self-employment was to draw attention to women as business owners, managers and employers. The 'enterprise culture' of the 1980s had given rise to considerable academic interest in small firms and the characteristics and motivations of the 'entrepreneurs' who formed them, but the vast majority of this work had been gender blind, with the exception of a few sociological/psychological studies (Goffee and Scase 1983). Investigation and study of new firm formation carried out in the 1970s and early 1980s (Bolton Report 1971, Storey 1982, Kent *et al.* 1982) did not consider the gender of the entrepreneur as a characteristic that might substantially affect the character or future of the enterprise. A categorization of 227 studies of entrepreneurship and self-employment published in *Frontiers of Entrepreneurship* between 1980 and 1987 found only 13 papers examining either women or minority groups. Yet this was found to be a comparatively high percentage compared to other relevant journals (Chell and Hornaday 1987). This trend amongst studies of new small firms led the Swedish researchers Holmquist and Sundin (1989: 1) to conclude that 'entrepreneurial theories are created by men, for men and are applied to men'. The implication is that women either did not set up and run small firms, or that if they did, their behaviour, experiences, motives and goals were no different from those of men.

This clearly is not the case. The numerical importance of women in self-employment in the UK became clear in the 1980s; moreover, a small number of high profile women business owners brought female entrepreneurs to public notice in the latter part of the decade, for example, Anita Roddick (Bodyshop), Sophie Mirman (Sockshop) and Debbie Moore (Pineapple). While it may be argued that these high profile success stories created something of a 'myth' of the female entrepreneur given that they were built up with the benefit of a male partner, with associated credibility advantages (Rosa and Hamilton 1994), it was apparent that women could take a major role in starting new firms, and continue to manage them as they grew in size and complexity. As an issue, this would not be worthy of comment if it were not for extensive evidence, both contemporary and historical, referring to subordination and patriarchal pressures endemic to women's lives (Hartmann 1979, Walby 1986). If we move from the larger scenario of patriarchy and subordination and focus upon waged work, there is clear evidence of gender discrimination throughout the labour market with empirical studies offering stark evidence that women are largely concentrated in low status, low paid work (Craig *et al.* 1982, Hunt 1988, Coote and Campbell 1990). Even when the transition is made to careers rather than jobs, women still disproportionately fill the lower echelons of career hierarchies (Cockburn 1991, Gallos 1989, Witz 1992). With such arguments and evidence in mind, and given that self-employment is classified as an 'occupation' by the UK Department of Education and Employment, it is apparent that the growing body of research upon self-employment and entrepreneurship must take account of gender when evaluating and assessing experiences of self-employment.

On a point of caution, it is not being suggested that women are a homogeneous group who experience discrimination and subordination equally. However, as it is apparent that gender is crucial in shaping experience in many spheres of life, including employment opportunities, it is suggested that this must be extended to include self-employment. While placing primary importance upon recognition of gender in assessing the experience of self-employment, this paper will add to existing literature regarding women in self-employment, by offering evidence from an Economic and Social Research Council (UK) funded study (R000234199) of a matched sample of male and female business owners to identify substantive areas of experiential difference. By offering a comparison of men and women in business, we can begin to assess the degree of importance of gender. Before examining the empirical data realized by this study, a literature review examines arguments relating to motivations for both men and women for entering self-employment, and once self-employed, their experiences of firm ownership and management. With such arguments in mind, the question of whether self-employment might effectively address subordination and patriarchal pressures experienced by women in society is considered. Finally, salient points from the debate will be summarized.

## 2. Motives for entering self-employment

Vinnicombe (1987) identifies business start-up as a possible 'coping strategy' for women. It offers one solution for those whose careers have been interrupted by child rearing, and can assist in providing greater flexibility to accommodate the domestic tasks that still fall disproportionately on women. Self-employment may also offer some escape from workplace discrimination, which can place a 'glass ceiling'



on their chances for advancement (Davidson and Cooper 1992). This argument is further supported by Kuratko who states that 'one of the reasons for this increase in female entrepreneurship is that self-employment offers greater flexibility and adaptability in combining work and family responsibilities' (Kuratko and Hodgetts 1992: 570). Turning to anecdotal evidence, a recent prime-time television documentary investigation focusing upon women and work interviewed a number of women in self-employment, all mentioned perceived discrimination in waged work, or the need for greater flexibility in their personal lives as a primary motivation for business start-up ('Genderscape', UK Channel 4, 30.7.96):

it's the only way you can manage being a woman, a mother and have a career that you've got control of, otherwise there is always some one there saying 'wouldn't it be great if' . . . well, I want to decide if it would be great (Chris Hawkins, Financial Advisor, Kent).

for me it's flexibility, just answering to myself, I couldn't now work for anyone else now I've got children (Caroline Noddings, Designer, Kent).

women can only beat the system by doing it themselves (Jac Flower, Garden Designer, Kent).

While this clearly represents a 'snapshot' approach, it offers further support to the argument that women do have experiences of employment and family demands that will influence their decision to become self-employed.

Returning to empirical evidence, a number of key studies in this area have indicated that while superficially men and women share some common areas of motivation for undertaking self-employment, more in-depth examination reveals pertinent differences. Goffee *et al.* (1982) found that both men and women were looking for autonomy through proprietorship, but that women wished specifically to escape the domination of male employers and husbands. Cromie (1987) found that men and women were motivated by the same desire for autonomy and by dissatisfaction in their previous jobs, but that women placed significantly more importance on the needs of childcare and feelings of longer term career dissatisfaction, while men focused more clearly upon the motive of financial gain. Both studies found that contributing towards women's decisions to enter self-employment were experiences of discrimination in the waged labour market specific to their gender.

Such differentiation of the motives of males and females does not have universal support. Birley (1989), for example, stresses the similarities between genders. This view receives limited support from a number of studies that focus more specifically upon psychological and demographic factors (Birley *et al.* 1987, Chaganti 1986), but Hurley (1991) remarks that it is notable that many of the psychological instruments and tests employed to measure differences are derived solely from samples of male entrepreneurs. In what is commonly acknowledged as one of the most comprehensive studies of female entrepreneurs in the UK to date, Carter and Cannon (1991) take the middle ground, stressing that women should not be viewed as a homogeneous group, but in terms of their backgrounds and experiences. Such backgrounds may predispose some women to pursue self-employment for autonomy plus financial gain (a common 'male' trait), while others seek a means of coping with the demands and obstacles associated with their gender. It is not denied that some women will exhibit 'typically male' motives for entering self-employment, while there will be some self-employed men who share 'feminized motives', but the weight of existing evidence would appear to support identifiable differences that can be ascribed to gender in terms of experiences of business ownership. Moreover, from a comprehensive literature review of 57

articles relating to empirical evidence arising from studies of women in self-employment, Brush (1992) concludes that, while men and women do share several similarities in their approach to business ownership, there are major differences in motivation for women and men to become self-employed — and these are gender related.

### 3. Self-employment as liberation from subordination and discrimination

Given that evidence indicates that many women are embarking upon self-employment as a 'coping strategy', several studies reveal that it is far from being the solution to problems of subordination, patriarchy and labour market discrimination, which they may wish it to be (Hakim 1987, Holmquist and Sundin 1989). Discrimination remains a problem for women in self-employment just as in employment so that, for example, they experience particular difficulties in gaining bank finance for their ventures (Carter and Cannon 1991), while female entrepreneurs may be disadvantaged by not receiving the same levels of business advice as their male counterparts (Martin 1988). A combination of such factors also acts to ensure that female-owned business will be more vulnerable to early failure. In a discussion of the rapid growth of female-owned firms, Meager *et al.* (1994) argue that while women entered self-employment at a greater rate than men throughout the 1980s, the increase was only reflected in the first half of the decade, due to lower survival rates. Thus, while since the mid-1980s women have continued to choose self-employment in increasing numbers, there has been a substantial increase in the failure rate of these firms to maintain a fairly constant percentage of self-employed women in the sector. It is suggested that this 'churning' in terms of inflows and outflows of self-employed women occurs:

because they (female self-employed) had less financial or human capital than male counterparts, or because they tended to enter sectors with poorer business prospects (Meager *et al.* 1994: 15).

In terms of the sectoral argument it is well documented (Hakim 1987, Holmquist and Sundin 1989) that female self-employment is concentrated in the personal service sector, where start-up costs are low, thus reducing the need to apply for agency financing. Reflected in low start-up costs, however, are low profits and poor growth potential, creating a volatile sector highly sensitive to external pressures. To survive, the firm demands a high level of commitment from the owner to 'make ends meet'. Thus, the low paid, low status, tenuous nature of employment is converted through self-employment to low profit, highly-competitive areas of business ownership for women. The enterprise culture is not heralding new choices or offering escape from subordination for the majority of female small firm owners.

Meanwhile, those who choose the self-employment option in order to accommodate the demands of domestic labour are, by definition, still undertaking a dual role, and no more likely than those in paid employment to gain assistance from other family members with domestic tasks. Davidson and Cooper (1992: 10) report the results of research in the USA (Longstreth *et al.* 1987) which found that self-employed women were still spending an average of 5 h per day on 'household tasks', 'only 3 h less than the average full-time home maker!' It is as a result of such additional burdens that Simpson (1991) is forced to conclude:



The hopes that entrepreneurship may be a means of overcoming gender subordination seems misplaced. Women may certainly escape some of the confines of the formal labour market, but these are replaced with a range of problems to face in entrepreneurship which are gender related. The evidence doesn't suggest that conjugal roles are being re-negotiated - women are still performing the 'double shift' (Simpson 1991: 120).

Brush (1992: 16) offers support for this stance with her argument that women perceive their businesses as 'co-operative networks of relationships' rather than specific and separate economic entities. As such, the business becomes integrated with other demanding areas of life, such as child care or personal relationships and this differs from a male perception of business, which is as a separate and primary economic activity. Consequently, if women are looking to self-employment as an escape from pressures and prejudices associated with their gender, business ownership is unlikely to offer a satisfactory solution.

Turning to empirical evidence to investigate these issues in more depth, data from a UK Economic and Social Research Council funded study (R000234199) will be presented to offer further insight to the issues discussed above. This small scale study investigated the motives of women who began their own small businesses - examining how and why women established new small firms and their consequent experiences of self-employment. The study also examines a matched sample of male small firm owners to generate a comparison between men and women in self-employment. It is evident from the literature review that there are a small, but growing number of studies focused specifically upon self-employed women, and a much larger body of research upon men in self-employment. While such work offers invaluable insight into the experience of both women and men in self-employment, only deductive conclusions can be drawn regarding the influence of gender upon this experience. By deliberately identifying a matched sample of men and women in self-employment one can compare their views and attitudes towards business start-up, business success and barriers encountered upon the way.

#### 4. Methodology

The aim of this study was to identify a matched sample of male and female business owners where the gender of the owner was the differentiating characteristic. In studies based on matched samples of firms, the intention is to create two groups of firms that are comparable on all but one key characteristic, so that any observed differences in the behaviour or experiences of the two groups can be attributed to the gender of the business owner.

Matching, either of individual firms or sample profiles (aggregate matching), has frequently been utilized in the area of small firm research (Monck *et al.* 1988, Birley and Westhead 1992, Keeble *et al.* 1992), although it is recognized that the use of this method is not unproblematic. Matching subjects or samples on every factor, with the exception of the key variable, is extremely difficult and as critics would argue, the process has the potential to narrow the acceptable parameters of the sample to the point of being unrepresentative of the population in question (see Gibb (1992) for a critique).

Indeed, this was a methodological challenge in identifying an appropriate sample for this particular study. The firms were identified with assistance from the Women's Economic Development Agency, the Directory of Women in Business, a Training and

Enterprise Council Development Officer, local Economic Development Agencies and a data base. In order to gain the required matched sample, which was always intended to be small because of resource constraints, a large number of potential subjects were investigated to assess viability. This necessitated considerable work to eliminate unsuitable candidates as firms were matched on the basis of turnover, age, sector (to the extent of actual activity), number of employees, proprietorship and location. Clearly, there was opportunity for more rigorous matching in terms of owners' personal characteristics such as marital status, children, age, ethnicity, etc. Such a detailed searching does present a significant challenge in matching from available samples; in a larger scale project, attempts to broaden the matching basis may be feasible but in these particular circumstances, where the focus is upon the experience of business start-up and management, it is believed that the matching process has resulted in an appropriate sample for the investigation.

Matched firm owners were then contacted to ascertain willingness to contribute to the research study. Owing to matching constraints and some of the suitable firms being unable or unwilling to contribute, the final sample consisted of 28 female and 28 male business owners. The firms were drawn largely from the service sector, reflecting the propensity for self-employed women to be located in service industries. As it was possible to engage in accurate firm activity matching, the sample bias is not considered to be problematic to the investigation, which is acknowledged to be specific to service sector firms. After agreeing to contribute, each firm owner was interviewed at length using an extensive questionnaire. Women were also asked about their utilization of women's business networks and their usefulness.

The resulting data was subject to a simple qualitative analysis in terms of identification of common themes, problems and business issues and also differences that emerged between the two samples. With a larger sample, it would be useful to use software programmes aimed at qualitative data, for example NUDIST. Simple quantitative analyses regarding sample means and modes were generated where appropriate; this approach could have been developed with the use of chi-square tests (goodness of fit) to examine the comparative samples. This will certainly be the intention with further studies and a larger sample. For the purposes of this paper, a number of key areas have been presented for examination through a qualitative identification of common themes and problems; these act to illustrate the experiences of self-employment for this particular sample of men and women.

## 5. Results

### 5.1 *Motivation for business start-up*

As has been argued, arising from their experiences of waged work and domestic labour demands, women are likely to be swayed by gender-related problems in these areas when considering small firm start-up. This is indicated in Table 1, where women cite limited career prospects and the need to combine domestic and waged labour as primary influences in making the decision to become self-employed. Frustration in employment is an experience shared with men and indeed, other studies of largely male entrepreneurs have identified this as a major motivating force for firm start-up (Wynarczyk 1994). If the experience of employment is frustrating or confining, it is not surprising that men look for autonomy in self-employment, and this is reflected to



Table 1. Motivating factors for entering self-employment.

	<i>Women</i>		<i>Men</i>	
	<i>n</i> †	%†	<i>n</i> †	%†
Combining waged/domestic labour	12	43	0	0
Independence	5	18	15	54
Career frustration	9	32	9	32
Financial gain	0	0	6	21
Redundancy	2	7	1	3
Develop hobby	3	11	0	0

†More than alternative was possible, percentages of total number of women and men.

a certain extent by women. Drawing also upon the qualitative data from this study, the women were associating their career frustration to a greater extent with their gender; so, just as their male counterparts were annoyed at 'not being taken seriously', or 'not being afforded appropriate responsibility', many women qualified this with 'I think being a woman had something to do with it'. None of the men in this sample echoed the women's need to accommodate work and home demands, so already the author can identify motivating factors for firm start-up associated with gendered expectations of male and female roles, both at work and at home.

It has been identified that women and men in this sample of business owners were sharing some motivations for start-up, but also some differences that it is argued are gender-related. The problems experienced during the early stages of business start-up and management are illustrated in Table 2. Thus, it can be ascertained if differences between the two groups persist as the business develops through time.

From the data displayed it is clear that there are again common issues for both men and women when managing a new small firm. Establishing market credibility is a difficulty that would be expected for such enterprises, unless they had entered a specific niche where the owner carried personal reputé. However, women believed that part of their credibility problem lay in their gender. Over half of the female sample who mentioned credibility remarked upon being addressed by potential customers and suppliers as the secretary, or the owner's wife, thus meeting the barrier of establishing authority as the actual firm owner. Considering areas of greater difference, it may be deemed contradictory to previous arguments that men experienced

Table 2. Problems during firm start-up.

	<i>Women</i>		<i>Men</i>	
	<i>n</i>	%	<i>n</i>	%
Credibility	9	32	10	36
Finance issues	5	18	12	43
Agency support	6	21	2	7
Domestic/firm clash	6	21	0	0
Premises	3	11	1	3
None	0	0	3	11

Table 3. Current trading difficulties.

	<i>Women</i>		<i>Men</i>	
	<i>n</i>	<i>%</i>	<i>n</i>	<i>%</i>
Domestic/firm clash	8	29	0	0
Finance issues	5	18	12	43
Suitable staff	6	21	2	7
Finding clients	4	15	3	11
Credit control	0	0	7	25
Recession	4	14	3	11
None	2	7	5	18

greater problems in gaining finance/financial management than women. As only 17% of the female sample began their businesses with assistance from banks, compared with 50% of the men, it is reasonable to deduce that women have less difficulty with finance and cash flow problems as they are more reliant upon restricted personal funds. Consequently, women have fewer external justifications to make; this lack of agency funding also concords with previous research (Carter and Cannon 1988), which identifies lack of financial support and credibility as a barrier to growth for female entrepreneurs. The issue of combining home and business is a significant problem for women in self-employment, whereas this is not identified by any of the male sample as a difficulty. Overall, there is support for the hypothesis that the gender of the owner will influence the nature of the problems encountered during the period of business start-up. However, it is important to ascertain if such influences persist and this is explored in Table 3.

The whole sample had all been trading long enough to be said to be beyond the start-up stage (at least 2.5 years old) so that the owners could differentiate between problems related to start-up, and those of daily business management. Regarding current trading problems, again there are similarities emerging such that the effects of recession, finding sufficient work, lack of management structure and financial pressures are all hurdles experienced jointly by men and women in self-employment. There are, however, two important differences between the samples. Only women find a lack of time to specifically combine business needs and domestic demands a problem; in fact over one-quarter of the female sample refer to this as an issue. The other area where there are clear differences between men and women is in finding suitable employees – and retaining them. From numerous studies (Savage and Witz 1992, Acker 1992, Brush 1992) and comments made by women in this study, it would appear that women work in a more co-operative, flexible fashion and form closer networks with colleagues or, in this case, employees. Thus, where there are higher personal expectations of staff in terms of co-operating with the owner and adopting her outlook, it is rational to hypothesize that there will be greater difficulty in finding such people, and greater expectations of them once in place. If there are such differences emerging between male and female 'styles' of small firm ownership, it is important to ascertain if such differences are perceived by owners themselves as resulting from discriminatory pressures and if so, what are the consequences for the business. This is illustrated in Table 4 (a).



Table 4a. Discrimination pressures discerned by firm owners.

	<i>Women</i>		<i>Men</i>	
	<i>n</i>	<i>%</i>	<i>n</i>	<i>%</i>
Credibility	19	68	8	29
Bank finance	12	43	9	32
Domestic demands	11	39	9	32
Self confidence	3	11	4	14
Illogical/uncompetitive	0	0	4	14
None	2	7	10	36

Table 4b. Solutions envisaged to discrimination.

	<i>Women</i>		<i>Men</i>	
	<i>n</i>	<i>%</i>	<i>n</i>	<i>%</i>
Visible business success	20	72	10	36
Social/political attack	9	32	2	7
Childcare facilities	8	29	6	21
Balancing domestic/economic	9	32	0	0
No solution	0	0	2	7
Natural progression	0	0	2	7

All respondents in the study — both men and women — were asked to comment upon problems or barriers that may be encountered specifically by women when entering self-employment. It is notable that more than one-third of the men interviewed did not believe that women experienced any particular problems in starting their enterprises, but only two of the women agreed with this proposition. Both groups agreed on the most important areas of disadvantage/discrimination — lack of credibility, finance and domestic demands, although the responses from the men were of a lower magnitude.

Lack of credibility in business and financial issues have been identified in this and other studies as a problem for small firms, regardless of the gender of the owner. However, on the basis of responses to specific questions regarding sex discrimination, respondents were identifying the gender of the business owner as having potential to further exacerbate such problems. Given that all of the women and some of the men in the sample had recognized gender as a source of discrimination against potential and actual business owners, the respondents were asked to identify solutions to this problem, illustrated in Table Four (b). All of the female sample offered at least one suggestion, with most making several; a far smaller proportion of the men had any contribution to make.

What does emerge from Table Four (b), is that men have relatively few solutions to offer. Those who do make suggestions, however, share the female respondents' focus upon individualized solutions to what is, in fact, group subordination. Hard work, visible financial success, achieving a better balance between private and personal life and sharing domestic responsibility within the family, are 'privatized' solutions, as is the belief articulated by women that their businesses must perform very well to demonstrate individual ability. There is some recognition that solutions to gender discrimination and subordination lie in seeking change regarding the wider perception

of women as primarily carers and home makers, and thus unsuitable and potentially incompetent as autonomous business owners (or economic actors in the wider sense). This is evident in the call for an attack upon social, economic and political sources of discrimination and the need for better childcare facilities, but overall there is a presumption that individual women must perform better within the status quo, rather than join and act with common purpose to change the criteria by which they are judged.

## 6. Conclusion and discussion

The author has argued that the experience of small business ownership, from inception to daily management experiences, will be influenced by the gender of the owner. From a review of existing literature, it emerges that while there are a number of similarities between men and women small firm owners, there are significant differences in their approach to, and experience of, self-employment. This is apparent in motives for firm start-up and problems of management and growth. Arguments in support of gender as a differentiating characteristic for self-employment are largely drawn from separate studies of men and women in business. In order to undertake a more robust examination of any gender effect, this paper has drawn upon a small-scale matched study of female and male self-employed, investigating a number of key areas in small firm ownership.

From the data realized, it emerges that gender might impinge upon the experiences of the small business owner in starting and managing their own firm. It is apparent that this study reflects others in establishing similarities between men and women who choose to own their own enterprises, but through this matched study there emerge differences that must be located in the gender of the owner. This in itself would not be an issue if there were not evidence indicating that gender is a source of subordination for women that will disadvantage them in general, and in this case, small firm ownership. If women begin new, small firms because they feel thwarted as women in their careers, if there are credibility problems for firm owners arising from their gender, if a woman's notion of business success differs from male counterparts because her ambitions are moulded by gendered experience, and, finally, if women are utilizing self-employment as a solution to dual demands of domestic and waged labour, then the experience of self-employment is tainted by patriarchal expectations. Moreover, if women perceive that the solutions to such issues lie in privatized, individual effort or merit to achieve within existing scales of judgement, small firm ownership will reflect the subordination evident in other areas of women's lives. Until gender, affecting the experience of self-employment, is afforded attention and credibility, the experiences of self-employed women and the contributions made by their businesses cannot be properly understood or evaluated. It is hoped that a further, larger study based upon the matched approach, which will lend itself to more intensive analysis, will add further credibility to arguments relating to gender discrimination in self-employment.

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**SO MUCH OPPORTUNITY - SO LITTLE TAKE UP: THE USE  
OF TRAINING IN SMALLER FIRMS**

**SUSAN MARLOW.**

# So much opportunity — so little take up: The use of training in smaller firms

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## ABSTRACT

*This paper discusses the utilisation of employee training and development initiatives in the UK focusing specifically upon the smaller firm. It is argued that to assess and evaluate differing levels of investment in employee development, it is essential to take account of firm size, firm sector and the overall market/economic environment. Furthermore, assessment of such variables is essential when developing appropriate and accessible training initiatives. Evidence from a small empirical study is presented which suggests further investigation into the interaction of such variables and their consequent influence upon utilisation of training and development programmes would be warranted.*

## MANAGERIAL AND POLICY IMPLICATIONS

- Firm size, sector and market conditions are key variables which will affect the take up of training and development opportunities.
- There is substantial potential for Business Link approaches to identify and focus upon firms most likely to utilise training and development opportunities.
- There is considerable demand for management training. This however, must be adaptable in time, location and duration to suit individual and enterprise needs.
- Tangible benefits of training and development must be demonstrable if greater utilisation of such is to occur.
- Larger, engineering enterprises are most likely to invest in training and development.
- Some firms have no motive/need to train because of recruitment policies and/or level of skill requirements hence, it is a coherent

management policy to avoid any investment in training or development.

## KEY WORDS

*Small firms; training; sector and market influence.*

## INTRODUCTION

During the last decade a number of concerns have been expressed regarding the extent and delivery of training and development in Britain. In 1986 a comprehensive study of training provision in British industry reported that of firms which make training provision for managers, the median expenditure is less than £600 per annum (Mangham and Silver, 1986). Moreover, the MSC Report 'Adult Training in Britain' (1985) stated: that, overall only £200 per employee per annum was invested in training. These figures draw on findings across the spectrum of the economy, but the authors state that while training opportunities in British companies were generally poor, the small firm sector was particularly remiss concerning training provision: 'small, particularly owner managed companies appear more prone to not training than do larger ones...' (Mangham and Silver, 1986: 42).

Since the mid-1980s there has been a number of indications that the situation in the UK has improved somewhat: comparisons of Labour Force Survey data show that the proportion of workers receiving job-related training rose from 9.2 per cent in 1984 to 14.7 per cent in 1993, having peaked at 15.4 per cent in 1990 (Ashton and Felstead, 1995: 246). However, although the overall situation looks more robust regarding volume of training available (for a comment upon quality of such provision, see Keep and Mayhew, 1997), recent findings suggest that such changes



are not reflected in the training and development opportunities offered by smaller firms. Indications that small firms are less likely than larger companies to provide adequate training and development opportunities are an area of particular concern given the importance of smaller firms within the contemporary British economy. Recent data from the Department of Trade and Industry (1996), indicates that in 1994 small firms employing fewer than 100 people accounted for 53 per cent of all employment in the UK, therefore the quantity and quality of employee training and development within the sector is of critical importance.

This paper considers training and development and the effect that industrial sector, market pressure and particularly, firm size will have upon such provision. It is argued that many contemporary approaches to training and development fail to recognise that the heterogeneous nature of the industrial economy in the UK requires a differentiated response regarding the provision and management of training initiatives. While contemporary texts exploring the nature of training and development do recognise that there are problems and barriers, such as cost and time, to adopting training and development policies (Critten, 1993), such problems are usually sited within the corporate structure. Moreover, advice concerning 'best practice' policies are usually to be found geared to large firm employee relations practices and initiatives (Mabey and Salamon, 1995). Further to the focus upon the corporate sector, there is little recognition that industrial sector, markets and particularly labour market restructuring, are all variables which will impinge upon the likelihood of adopting training and development initiatives. To investigate these arguments in greater depth, evidence from a small but in depth empirical study of training and development practices in smaller firms is examined.

## TRAINING IN THE UK INDUSTRIAL ECONOMY

The vexed question of training and development in British enterprise has been a forum for discussion and debate for some time. It has been recognised that, compared to many nations which have a more regulatory framework, for example, Sweden, Japan and France, the British labour force is poorly trained and educated in either general or specialist skills. Atkinson (1989) comments that the majority of the British workforce use more skills driving to work than after arrival. Although there

has been some debate concerning the possibility of valid comparisons on an international scale (Deloitte *et al*, 1989), evidence from cross national comparative case studies (NIESR, 1990) concludes that companies in the UK place a lower priority on training and development, depending instead on labour with a 'low skill equilibrium' (Finegold, 1992). Thus, while there is some evidence for recent improvement in provision, there can be little doubt that British industry has made a poor commitment to training and developing the national stock of employees. It is noteworthy that of three Lifetime Learning targets set for all employees by the CBI in 1991, to be achieved by 1996, none has been met (Keep and Mayhew, 1997).

State policy towards employee development has fluctuated between statutory obligation (Industrial Training Act 1964) and voluntary provision, neither of which has proved particularly effective in encouraging firms to invest in developing employees. Since the 1970s, successive governments have favoured voluntarism, encouraging training take-up through executive agencies within the Department of Employment. Such initiatives first emerged as employment and training services agencies, became the Manpower Services Commission in 1973, then the Training Agency and today, the Training and Enterprise Councils. Support is available to all businesses in the economy but Curran and Blackburn (1994) conclude that TECs were unlikely to reach small firms and provide appropriate support due to the nature of the centrally designed courses and bulk provision. To respond to this criticism, Business Links offer Personal Business Advisers (PBAs), individuals specifically employed to provide more focused advice within a rationalised local enterprise support structure. In addition, objectives were established to improve local business networks and develop a targeted approach to growing firms with 10-200 employees (Patton, 1997). This has created some concern however, with an Institute of Directors report (1996) suggesting that targeting could lead to a reduced service to the smallest firms, alienating them from future involvement with advisory agencies.

As part of their mandate, these agencies offer encouragement, professional advice and funding for employment development strategies — but they are in the position of having to promote training initiatives to industry as there is no regulatory necessity for firms to pursue training and



development. Undoubtedly, activity of government agencies, the example of Europe and the growth of opportunities for formal qualifications in business management have had a positive effect upon opportunities for training and development. Moreover, evidence from a number of management surveys (Warr, 1992; Poole and Mansfield, 1992; Mabey and Salamon, 1995) note that there has been a significant improvement in the quantity and take up of management education opportunities; for example the Management Charter Initiative, but the authors do acknowledge that the samples are skewed towards larger companies. Adding a further note of caution to such evidence, Storey (1994a) remarks:

'it must be borne in mind that management development in Britain in recent years has been growing from an insubstantial base and that even now the plan is best described as fragile rather than robust'. (Storey, 1994: 394a)

It is argued that it is not corporate recognition of the intrinsic, strategic value of training as part of a human resource management (HRM) approach which has led to a growth in employee development, but government initiatives and to a lesser extent, competitive market pressures. Consequently, training and development is not established as part of the firm culture, but as a response to external factors, such as market changes, which makes commitment fragile in the face of volatile markets and particularly in the light of evidence that the UK is moving further to a low skill, low cost labour market (Dex and McCulloch, 1995).

Consequently, while there can be little doubt that training and development issues are on the business agenda, there needs to be further evidence regarding quality and relevance of the training to both corporate and individual needs. Along with the increase in management training, there has been a renewed focus upon training to prepare people for work, and further development once in employment. This is evident through, for example, the introduction of the National Vocational Qualification scheme offering a range of routes to qualification through work experience but again, there has been considerable debate and discussion regarding the relevance and quality of such schemes (Spilsbury *et al*, 1995).

As part of the growing national recognition of the value of training and development, there has

been a growth in research and policy advice focused upon 'strategic employee development' (Critten, 1993). The literature is useful in that it explores the advantages of training and development, the benefits of which, it is argued, accrue to individuals who then pass on new skills as a collective advantage to the organisation.

Moreover, investment through training should make the individual feel valued by the employer which reflects positively upon employee performance and attitude. Clearly, this offers a rationale for developing employees but what is lacking, and indeed, difficult to present because of the intrinsic nature of development, is clear evidence for performance enhancement which would justify continued, strategic investment in training. This is even more critical for the British case given the largely voluntary nature of training provision and, critically the historical interaction of industrial and financial institutions in the UK which demands return on investment in the short term (Finegold, 1992). Given that employee development initiatives yield benefit on investment over longer time in terms of improved performance and also in more esoteric concepts difficult to measure in economic criteria, such as enterprise reputation, the need for short-term results 'stifle(s) both the supply and demand for skills in Britain', (Finegold, 1992: 111). Consequently, economic short termism attracts many firms to locate in 'low skill, low quality product and service markets' which require low investment and offer a low but quick return with little investment in employees. This is supported by Mabey and Salamon (1995) who recognise that many of the firms featuring in training and development success stories are 'leading edge' private sector firms, able to afford the 'luxury' of training investment and innovation' (p.138) and are not representative of firm stock in the economy as a whole. Moreover, as the greatest expansion in employment in recent years has been in feminised, part-time work (Institute for Employment Research, and in smaller firms (DTI, 1996), where only limited evidence exists regarding training provision, it is clear that greater scrutiny of firm environment is essential to assess development provision and needs. As Keep and Mayhew (1997) succinctly observe, 'the evidence available indicates that self-employment, employment in smaller firms, and part-time and temporary working are all strongly associated with lower than average levels of training activity ... growth of employment in these areas could have serious negative



consequences for both training and demand for skills' (p.15)

## MARKET PRESSURES, INDUSTRIAL SECTOR AND FIRM SIZE

From the 1970s, many countries throughout Europe and the USA have experienced cyclical recessionary pressures. There is some evidence that such pressures have prompted a shift in production organisation towards a modified Fordism with greater utilisation of flexibility throughout the whole labour process. In academic terms, this change is epitomised in the Post/Neo Fordism debate (Hyman, 1988; Curry, 1993; Procter *et al*, 1994; Nolan and Walsh, 1995).

Although the volatility of the market demands the ability to change the product quickly, there is also a growing demand for greater choice and quality at low cost. To meet these needs, companies have been faced with new challenges to adapt production, and labour management strategies to meet and anticipate market volatility. There is increased focus upon the need for production, financial and labour flexibility whilst meeting demands for greater quality at competitive cost. Many of these changes have been encompassed in the HRM approach which considers the strategic management of labour as critical to firm performance,

'major investments in human capital, both in the form of education and workforce training ... appear to be an increasingly indispensable condition for enabling firms to move towards new markets ... that yield higher economic returns than standardised mass-commodity markets.' (Buechtemann and Soloff, 1994: 243)

Only by developing employees, will they have the skills to meet the changing challenges of managing modern production methods and markets. The focus upon a strategic employee engagement with the production process is the central component of the HRM approach. While the HRM debate is still contested in terms of whether identifiable and specifically HRM strategies are emergent in the modern economy, one result of the popular debate has been the provision of a context for the discussion of training and development. It is argued that investment in employees will engender commitment to the labour process which is essential to achieve resourcefulness and attention to quality without great expenditure on supervision. British

Airways, Rover and British Rail are examples of corporate enterprises which have adopted HRM rhetoric and some initiatives with the aim of achieving competitive edge in recessionary markets, and indeed we find it is larger firms which are offered as 'good practice' models for others in the economy. There is still very limited investigation of the role of HRM in smaller firms (see Marlow and Patton, 1992).

Clearly, not all companies will be able to respond to the recession and market volatility with high levels of investment in employees and as already argued, it appears that the response within the UK is more towards low cost, high volume production. Consequently, it is most likely that emphasis will be placed upon employees as a business resource, rather than a sustainable investment. Again, employees are a critical resource but production demands will dictate the shape of the workforce such that there is a greater dependency upon numerical and functional flexibility. This involves greater use of subcontractors and a substantial number of part-time, temporary staff working upon various low skill tasks, Guest and Hoque (1994) describe this as a 'Bleak House' scenario where employees are highly unlikely to benefit from any training and development opportunities. Empirical studies of national employment trends indicate that most larger organisations are adopting initiatives from both of these approaches, dependent upon particular production initiatives and workforce characteristics (Millward *et al*, 1992). Overall, evidence suggests that while the rhetoric of HRM is being employed, the full-scale utilisation of soft HRM with its focus upon employee development and empowerment is difficult to find (Ezzamel *et al*, 1996). Consequently, there is no clear indication to what extent the use of HRM initiatives are raising the threshold of training and development provision across the UK workforce. Yet, what is clear, is the potential for a division to develop between employees whom production and market directives will indicate are worth training and those who are not. It is also critical that in most 'national workplace studies', smaller firms are excluded because of sample problems and the traditional but outdated view that the corporate enterprise is the most appropriate indicator of industrial trends. Given the importance of smaller firms as a major private sector employer however (DTI, 1996), this is an inaccurate indicator of trends and policies.



So, it is feasible for British Airways to respond to a deregulated carrier market by adopting a corporate strategy focused upon service rather than cost, achieved through extensive investment in employee training and development. But such a costly and uncertain strategy is a highly unlikely option for many smaller firms. Without access to the corporate resources of firms such as those of BA, other organisations must respond more immediately to sector and market pressure if they are to survive in contemporary markets. So, for example, the majority of firms in the textile sector (excluding weaving and spinning) are small and constrained by competitive market conditions to operate in a low profit, tight margin environment where employee training is too costly in both time and money. Moreover, investment in computer technology is essential to upgrade production. Thus, employee training is only feasible when labour moves beyond a role of machine operative requiring a dual investment in fixed capital and labour (Marlow, 1992). Engineering firms, however, require more skilled operatives and have a history of vocational training through apprenticeship schemes (Keep, 1989) such that even small firms will offer some training opportunities or place a premium upon recruiting skilled operatives. Consequently, to appreciate the rationale for adopting training and development initiatives, a more detailed assessment of industrial circumstances, encompassing industrial sectors is essential.

Finally, firm size and training. Many smaller firms by virtue of scale can adopt greater flexibility in their approach to volatile markets. Thus, it might be expected that a significant number of small firms will be receptive to training and development initiatives to enhance employee skills to maintain competitive edge in tight markets — particularly where so many smaller firms compete to act as subcontractors for larger firms.

Moreover, in terms of management skills, the small firm owner takes responsibility for numerous management decisions with the management team pooling competencies to share tasks (Stanworth and Gray, 1992). As such, there would be a distinct advantage for management teams to develop skills and competencies which may have to stretch over several functions. In fact, Mangham and Silver (1986) argue that as firm size diminishes, the need for management training becomes acute as management decisions then become even more critical to firm performance.

However, when recruiting management, small

firm owners favour those with business experience and a similar background to themselves, rather than those with professional qualifications. Gibb and Davies (1989) argue that this arises from both financial constraints as highly qualified individuals demand greater reward, and the owners' fear of having their lack of formal qualifications exposed. As Stanworth and Gray (1992) comment 'only a tiny minority (of small firm owners and managers) have specific qualifications in management. They run their business on the basis of their experience and common sense' (p. 11). It would, therefore, be a rational action to develop these skills internally if buying in professionalism is too expensive and personally threatening to the owner. However, research indicates that while British firms in general are uncommitted to training provision, smaller firms are even less likely to train either management or non-management labour (Mangham and Silver, 1986). More recently, Atkinson and Meager (1994) supported this point with their evidence indicating that the likelihood of firms undertaking training increases with size, where external training is utilised to deepen managerial skill bases. Explanations for this lack of investment in employees can be summarised as:

- (a) a cultural explanation; where owners have not experienced training or do not have professional qualifications, they will feel threatened by employees with greater expertise, who may question their business acumen. Encouraging training initiatives for such owners is a personal risk (Gibb and Davies, 1989).
- (b) time constraints; where the management team and labour force are small, each contribution is critical therefore, it may not be feasible to initiate formal training which takes individuals 'off the job' (Searles *et al*, 1996). There is also an issue of 'pace' (Jennings and Hawley, 1996) where having a set time period for learning within set deadlines may not be appropriate within an organisation which makes unpredictable demands upon an individual's time. Alternatively, training may have to be very intense to prepare individuals to meet a new production demand or utilise new technology very quickly.
- (c) financial issues/relevance and benefits; it is well documented that funding and financial management (Wynarczyk *et al*, 1993) are critical to smaller firms. Thus, where finances are tight, a training programme which yields long-term



benefit will not be a priority against short-term results. Storey (1994b), found that attitudes towards training and advice were based on a desire to be shown the benefits from such investment. Empirical evidence (El Nakami, 1990), found that owners ignored, and indeed avoided, opportunities for improved performance, financial or otherwise, if they involved training.

- (d) identifying training needs; training is only an investment if the skills learnt can be utilised for the benefit of the organisation. For the small firm owners who lack professional skills themselves, identifying the training needs of others in the longer term is a difficult task. Stanworth and Gray (1991) conclude that 'small firms' are reluctant to train, resulting from scepticism of value ... are unaware of their management deficiencies, hence few seek management training and support' (p. 189).
- (e) the problems associated with establishing causal relationships between training and improved performance (Marshall *et al*, 1993):

With these points in mind, evidence is offered from a small but in depth empirical study which closely examines training and development provision within smaller firms. From the research data we are also be able to explore interaction of training provision, firm size and industrial sector.

## STUDY DESIGN AND METHODOLOGY ISSUES

A sample of 28 firms was identified from a database within the Midlands area. The businesses are independently owned, from a range of sectors, between five and ten years old and have between 40 and 120 employees from a range of sectors, and were independently owned. For the purpose of this study, number of employees has been used as a size indicator. It is recognised that financial criteria for example, turnover, are also an important indicator of firm size. However, as six interviewees refused to divulge any financial information whatsoever, number of employees has been utilised as the prime indicator of firm size.

Potentially, the size of the sample could be construed as a methodological problem; the sample is small which enables in depth interviews and investigation within a specified budget but it may be argued, that there is a loss of validity. However, as the purpose of this sample is to identify issues

which it is suggested, will illustrate a need for greater caution in the assessment of training and development within the economy, rather than categorically test hypotheses, it is believed that the sample is appropriate. For each firm it was possible to interview the owner or a current director with authority to comment upon training and development policy. This enabled the establishment of a training profile based upon provision of training, type of training, number of employees involved in training, most effective forms of training and finally, what type of training owners would ideally like to be made available to their organisations in view of market conditions.

## RESULTS

Only one business claimed not to undertake any form of training or development whatsoever. Training practices were separated between formal policies only and informal and formal initiatives; where informal includes on-the-job (sitting by Nellie) and job rotation while formal training policies cover a multitude of practices. These range from the use of external consultants training on site, particularly to utilise new technology, to management undertaking formal qualification at educational institutions, for example MBAs. Table 1 indicates the extent and type of employee training and development offered.

To examine any relationship between size, sector and training provision, a simple correlation between the variables has been established.

Overall, there is a positive relationship between firm size and use of both formal and informal training and development with a stronger association between larger firms and formal training. Regarding sector, engineering and other manufacturing firms demonstrate the greatest use of formal schemes with services and textiles having the weakest with one service firm claiming to offer no training whatsoever.

The chart does not however, indicate consistency of employee involvement in training and development. To address this, interviewees were asked to discuss the number of employees currently undertaking training and development initiatives.

There is a divergence between the fact that only one respondent stated the firm undertook no training, whereas the information presented indicates that ten firms have no one currently receiving training. It emerges that particularly firms involved in 'on-the-job' training offer initial train-



Table 1: Q: How many of your employees are currently engaged in formal and/or informal training schemes? (N = 28)

No. of emp.	Firms		Formal training only		Formal/Injml trng		Injml trng only	
	No.	%	No.	%	No.	%	No.	%
40-60	8	29	2	25	7	87	5	62
61-80	6	21	3	50	6	100	3	50
81-100	10	36	5	50	10	100	5	50
101-120	4	14	3	75	4	100	1	25
Total	28	100	13	46	27	96	14	50
Sector								
Engineering	6	21	6	100	6	100	0	0
Other Manuf.	7	25	6	86	7	100	1	14
Services	11	40	1	45	10	91	9	82
Textiles	4	14	0	25	4	100	4	100
Total	28	100	13	46	27	96	14	50

Table 2: Q: How many of your employees are currently engaged in either formal or informal training/development? (N = 28)

Percentage of employees in trng	No. of firms
0	12
1-25	0
26-50	3
51-75	2
76-99	3
100	8

ing in a task which, when completed, marks the end of employee development. This suggests that caution is necessary when assessing the extent of training provision as this data may be time and task specific and not indicative of an on-going commitment to development. It is interesting to note that in eight firms all employees, which included management, were engaged in some form of training. Upon further investigation, it emerged that two of the firms (25 per cent) were undergoing a specific training initiative associated with the introduction of new technology but the other six (75 per cent) had made a commitment to continuous management and employee development which was part of the business strategy. These continuous developers were drawn from the engineering/manufacturing sector and had at least 70 employees.

The issue of continuity and commitment has implications for future research. It is imperative to assess the level of commitment to training and any

role it may have as part of strategic development in order to draw conclusions regarding the appropriate format of any training initiative offered.

Having identified differing levels of commitment to development programmes, respondents were then asked to identify the most 'effective' training their firm had utilised. The question was: 'What, in your opinion has been the most effective form of training/development utilised by your firm?' It was deliberately vague so that the individual could define 'effective' in personal terms. This proved to be interesting as where 'effective' was equated with cost, the owners identified 'on the job' training as most effective as it is 'cheap and immediate'. Where the owners interpreted 'effective' as most useful to the organisation, the work of external training consultants is singled out as particularly important, being undertaken on site or by employees attending courses external to the firm.

Having considered positive aspects of training in terms of incidence and type, it is important to ascertain why firms do not train or, have a limited use of training. Owners and managers were asked to talk in general terms regarding the lack of training take up by small firms, and then to specify what prevented them from adopting or expanding upon training. The question here was: 'What are the major reasons why this firm has not utilised training/development initiatives?' Figure 2 indicates that the reasons given fell into a number of discrete areas.

The most common reasons are time and money evidence supporting Stanworth and Gray (1992)



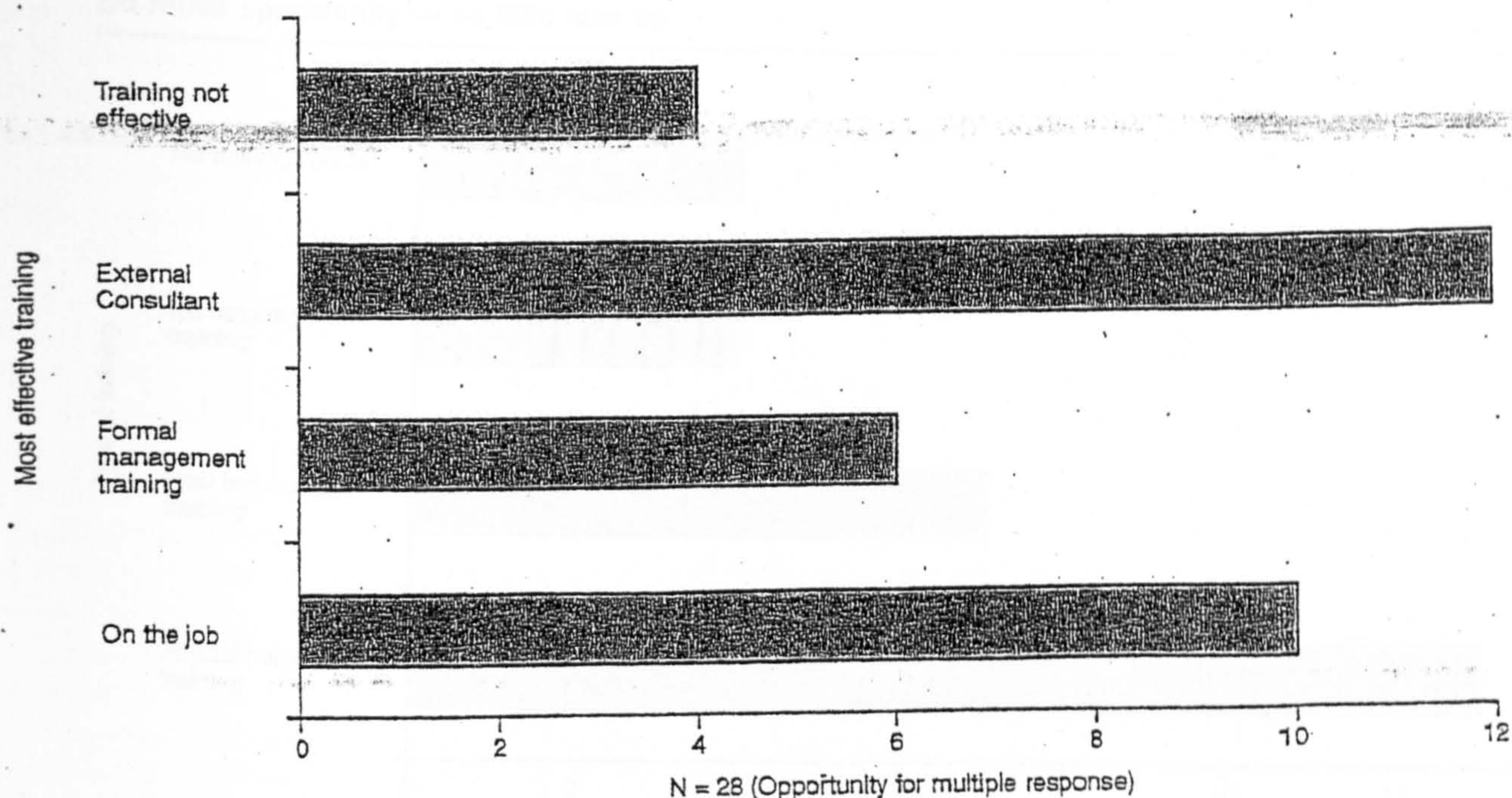


Figure 1: Perceptions of training effectiveness

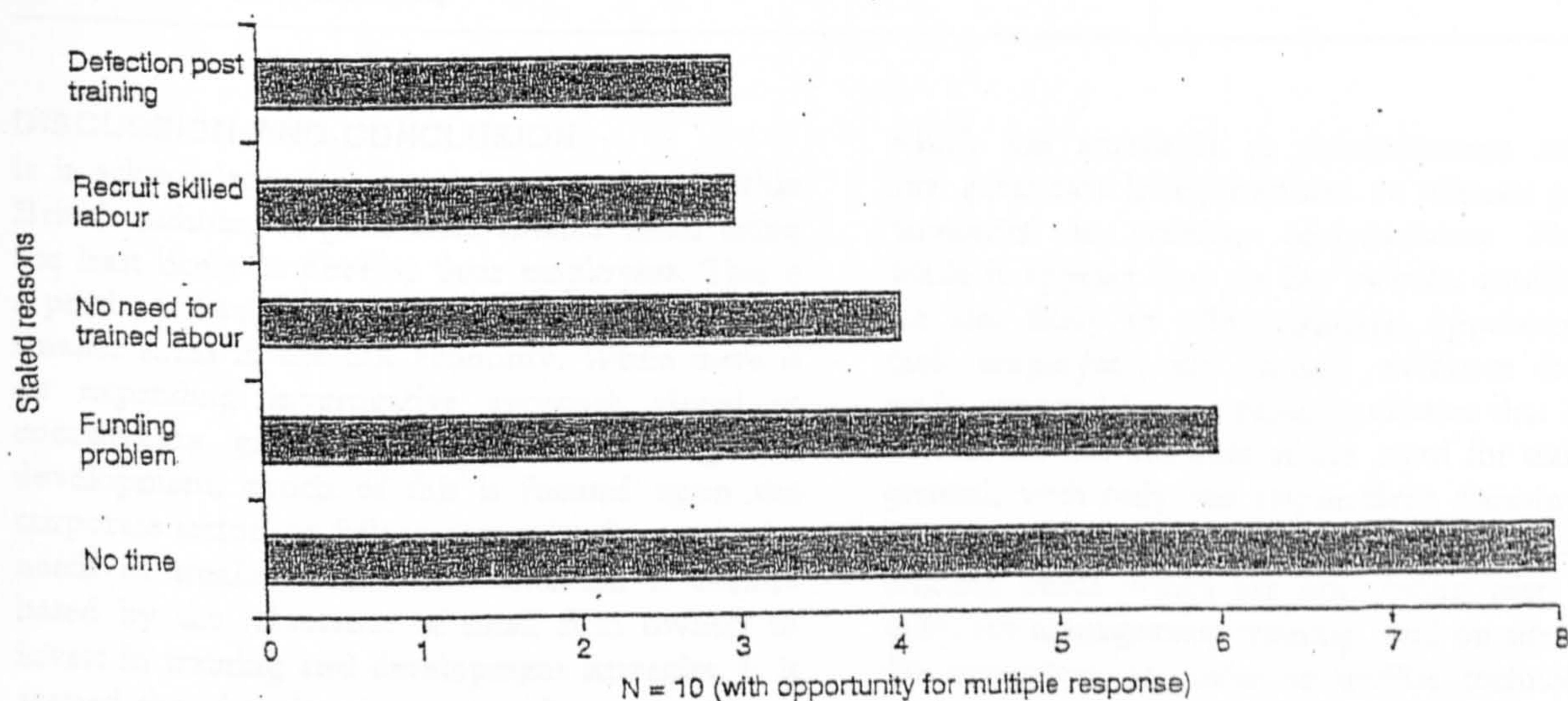


Figure 2: Major reasons for not utilising training

but there is also support for the notion that training is neither desired nor needed. To examine further the level of interest in training and development, the respondents were asked to identify an ideal form of training (which could be none at all), were there no barriers to adoption. The question posed was: 'Given freedom from any constraints, what type of training/development initiative, if any, would you consider to be most beneficial to the firm?'

Firm owners have clear ideas of the training

schemes that they would wish to access to improve business performance with formal management training most important which somewhat belies the previous support for the notion that training is neither desired nor needed. Thus, while many firm owners are not utilising training programmes, this does not indicate that they are antagonistic towards developing their employees. Further evidence is necessary that such development can be undertaken without compromising business performance, and can indeed improve it.



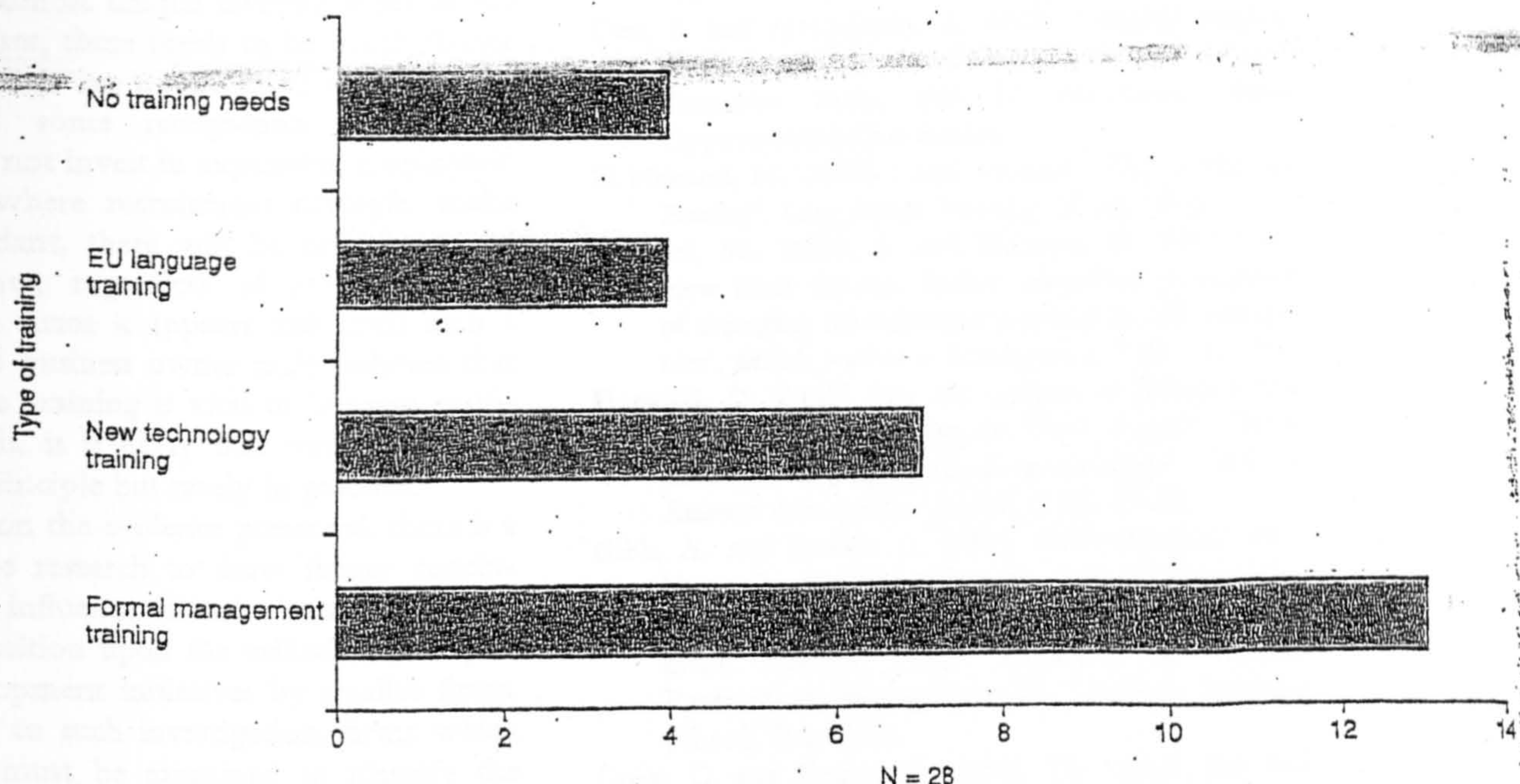


Figure 3: Ideal form of training

## DISCUSSION AND CONCLUSION

It is acknowledged that training provision within British industry is poor with smaller firms being the least likely to develop their employees. This is a pertinent issue given the growing importance of smaller firms in the UK economy. While there is an expanding investigative approach aimed at encouraging greater utilisation of training and development, much of this is focused upon the corporate sector, or fails to recognise the particular needs of smaller firms. This situation is exacerbated by the reluctance of small firm owners to invest in training and development strategies. It is argued that this situation cannot be resolved by a prescriptive approach which offers generalised support for training and development *per se*, particularly in the light of arguments that a low skill equilibrium in the UK mitigates against such initiatives (Keep and Mayhew, 1997).

This paper indicates that size and sector are variables which affect training and development provision, the data presented indicates that larger firms in the engineering sector are most inclined to train their employees. It is interesting to note that the contrast is between the firms who do train, extending provision to most employees and those firms who are not committed and rarely train employees, with few businesses spanning in between. Clearly there is scope for the Business Link approach which aims to focus upon firms

which are amenable to development initiatives but, great care is required not to alienate potential 'investors' in training programmes. However, while it appears that on the whole, smaller firms are less likely to offer training opportunities to their employees, the limited evidence from the study reported in this paper indicates that business owners are not unaware of the need for training in general, with only one respondent claiming never to train. It also emerges that smaller firms have training needs which are not being met: specifically, for management training and on site training for operatives, in order to utilise technology in production.

Thus it would appear that small firm owners are not antagonistic towards training initiatives but their decision to train employees is subject to several considerations. First, there are problems relating to finance, time and the firm owner's own lack of business training. Secondly, the influences of sector and firm size must be taken into account as the continuous trainers in this sample were larger firms from the engineering/manufacturing sector. It appears that to be of relevance to small firm owners, training programmes need to be almost 'bespoke' to suit business needs and offer tangible benefits to the enterprise, which can be demonstrated or clearly indicated. Such initiatives need to be carefully constructed such that they are relevant, accessible and non-threatening to the



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er. Given the difficulty and cost of developing it must be almost unique training schemes for these businesses, there needs to be much firmer evidence that firms can benefit from training programmes, and some recognition that where employers will not invest in expanding employees' base or, where recruitment strategies make training redundant, there will be no take up of training schemes, regardless of incentives. For more receptive firms it appears that until such a time as a small business owner truly believes that commitment to training is vital to business survival and growth, it is likely that training will be supported in principle but rarely in practice.

Drawing upon the evidence presented, there is a need for future research to draw firmer conclusions upon the influence of variables such as sector and market position upon the utilisation of training and development initiatives by smaller firms. To add depth to such investigation, firms which do not train must be examined to identify the rationale for their strategy, if it is indeed a strategy. Finally, the viability of delivery agencies, such as the TECs and Business Links, offering most individualised programmes to smaller enterprises is a key area which demands further study.

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**INVESTIGATING THE USE OF EMERGENT STRATEGIC HUMAN  
RESOURCE MANAGEMENT ACTIVITY  
IN THE SMALL FIRM.**

**SUSAN MARLOW.**



# Investigating the use of emergent strategic human resource management activity in the small firm

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## ABSTRACT

There is little information regarding how, or whether, small-firm owners use their own and their management team's skills and experiences as part of a strategic approach to achieving business goals, durability and, if desired, growth. It would appear that firms which do utilise a strategic approach, however informal, are more likely to endure. Design school strategic management techniques have traditionally been sited in, and associated with, corporate enterprises and, as such, would not be readily accessible to most small firms. Recent critics of this design school approach argue that strategic activity, in the majority of firms, is far more intuitive and flexible than previously believed and describe this as an emergent approach to strategy. If this is the case, it should be possible for most small-firm owners and managers to harness their business skills, which evidence would suggest are likely to be intuitive, based on experience, and flexible, to develop an emergent approach to strategy. To investigate the proposition further, this paper focuses primarily upon strategic human resource management (HRM) in small firms, arguing that the efficient use of labour in small firms is a critical activity for such firms to achieve durability and if desired, growth. This paper will, therefore, briefly consider the debates surrounding design school and emergent strategies, examine the role of strategic HRM within the enterprise in some detail and then present empirical findings to illustrate these issues.

## MANAGERIAL AND POLICY IMPLICATIONS

- The need for strategic awareness is appreciated by the majority of small-firm owners and managers; the challenge is in developing the capacity to act strategically.
- If strategic activity is emergent, flexible and adaptable, smaller firms can utilise a strategic capability to contribute towards firm durability.
- Labour management is undertaken in a relatively *ad hoc* fashion with little apparent use of strategic direction.
- There is considerable scope for advisers to promote a strategic approach to the management of labour to maximise the productive capacity of employees.
- Overall, policy makers and advice agencies should recognise the need for specific forms of assistance to overcome the gap between owner/management awareness of the need for strategic awareness and their ability to develop strategic competence.

## KEY WORDS

Emergent strategies, human resource management, business durability

## INTRODUCTION

Small firms have made a substantial contribution to net job creation (Gallagher *et al.*, 1990), but as a group remain highly susceptible to the vagaries of the economic climate. Evidently, the majority of small firms are destined for a short, volatile life,

where relatively few achieve a durable existence, and even fewer achieve substantial growth. Despite the considerable resources invested in analysing and investigating small-firm behaviour, the heterogeneity of the sector makes it difficult to identify a single, prescriptive approach which small firms might follow to attain greater security and success. It is, however, possible to identify critical areas of managerial activity which underpin firm durability and growth, and through analysis and empirical study of such activity offer 'good practice' examples of such to guide the development of appropriate management competence. Drawing from a number of sources (Training Commission, 1988; Collin, 1989; Woodruffe, 1991), the essence of competence can be defined as the ability to utilise skills and knowledge in a work activity which can be assessed through performance. There is recognition of the value of tacit knowledge based on experience, which can be distinguished from formal knowledge, indicated by qualifications. *Investors in People* (1995) define competency, however, as 'the proven ability to perform to standards required in employment' (p. 41). Hence, varying levels of competence are present in any viable enterprise, whereas competency can be demonstrated by the attainment of an accredited standard of performance such as that designated within the Management and Enterprise National Training Organisation (MENTO) — previously the Management Charter Initiative. MENTO was established with the 'primary aim to establish a generic set of standards and qualifications based upon areas of activity the majority of managers would be expected to perform competently' (Doyle, 1997: 434). Such programmes have been criticised for being overly functional and behaviourist (Stewart and Hamlin, 1992) and also, bureaucratic, simplistic and static (Canning, 1990). Despite the controversies surrounding the issues, the notion of competence and competency is useful for small-firm owners and managers. While they are less likely than their larger firm counterparts to undertake formal qualifications for a number of reasons, for example, cost or time (Stanworth and Gray, 1991), they will have a range of tacit skills and experiences which can then be recognised and valued through notions such as competence. Moreover, Kandola (1996) argues that competencies 'are now firmly established as the basis of a strategic approach' (p. 21).

However, evidence indicates that new small-

firm owners rarely set out documented, future-centred strategic objectives for their businesses, and failure to develop such objectives may contribute to a firm's demise (Gibb and Scott, 1985; Bracker and Pearson, 1986; Kuratko, 1995). Substantial differences have been identified between business planning as an activity and strategic action as a competence. In an overview of literature pertaining to strategy and small firms, Hannon and Atherton (1998) identify planning as a more formal activity often associated with young firms which are seeking agency support at start up and are thus compelled to articulate the aims of the firm. It would appear that few efforts are made subsequently to ascertain whether specific business plans are acted upon to achieve the aims and goals specified. Strategic competence, however, is perceived as an 'ongoing' management awareness of the firm's internal and external environments plus the ability to manage these in order to achieve performance targets, and remain competitive in the contemporary market.

To date, there has been relatively little analysis of strategic competence and action in smaller firms. This has been due to the prevalence of design school corporate strategy theories which identify strategic action as a large firm activity requiring sophisticated management structures and forecasting abilities (Andrews, 1971; Ansoff, 1979). Thus, the relative simplicity and transparency of smaller firm management techniques were not deemed appropriate to develop this type of strategic initiative. However, recent criticisms of this rather rigid approach to strategic action have developed which argue that strategic activity within the business environment is, in fact, far more flexible and emergent than has previously been believed (Minzberg and Quinn, 1991; Whittington, 1993; Waalewijn and Segaar, 1993; Minzberg, 1994). Adopting a wider definition of strategic activity based on flexible, short-term, even *ad hoc* managerial actions expands the range of activities which can be described as having a strategic role and also makes it possible to identify such activity within smaller firms. Building upon these ideas, this paper therefore examines in greater detail the issue of strategic management in small firms, and specifically in the area of human resource management (HRM).

HRM is a managerial strategy which focuses upon the individual employee with the intent of gaining compliance and commitment to the labour process. This may involve training and



developing employees to gain new skills and qualifications generating autonomous commitment to the firm (soft HRM) or subjecting individuals to oppressive forms of labour discipline through supervision and contract to ensure compliance (hard HRM). In essence, labour should be perceived as a resource to be efficiently managed to gain a competitive advantage. An essential element of HRM is its integration into the wider strategy of the organisation. Thus, employees must be re-evaluated as a strategic resource (rather than a production cost) for achieving strategic advantage. The managerial focus within this paper is upon strategic HRM and is adopted for a number of reasons:

- As modern economies have become more volatile since the 1980s (Worthington and Britton, 1997), it has been argued that employees are the most important resource in the firm, so should be perceived as a resource to develop rather than a cost to control (Mabey and Salaman, 1995). So adopting the most efficient and appropriate managerial strategy for the use of labour is critical for firm performance.
- Much of the contemporary debate around issues of labour management has focused upon the development of an HRM approach and the embeddedness of such within company strategy. It is argued that for labour management initiatives to fulfil the remit of HRM, there must be indication that the process is utilised at a strategic level (Mabey and Salaman, 1995; Sparrow and Marchington, 1998; Bratton and Gold, 1998).
- Given the volatile existence of many small firms, it would be expected that adopting some kind of strategic approach to managing labour, would be desirable and advantageous to firm survival and stability.
- Within the remit of this paper, it is not possible to discuss every management function within the firm, so strategic HRM, an area which has generated considerable debate and is deemed to be a critical activity within the firm, is the primary focus.

Having discussed the issues pertaining to the design school and emergent approach to strategy, the paper will consider the role of strategic HRM within organisations, after which evidence from an exploratory study of strategic HRM in small firms is presented for discussion.

## THE DESIGN SCHOOL, EMERGENT STRATEGIES AND SMALL FIRMS

### Design school approach

Until the early 1990s, the dominating theoretical context for the study of strategic management was that of the design school. In essence, the design school approach suggests that an enterprise, through the correct use of models which analyse internal and external business environments, can formulate and implement business strategies which will secure the successful development of the firm (Ansoff, 1979). However, there are a number of fundamental issues pertaining to smaller firms which question the applicability of this approach to their development. The models are not simple, requiring sophisticated management knowledge and skills in conjunction with considerable understanding and experience of the market environment within which the business operates. Consequently, the design school approach is often deemed inappropriate to all but a few small businesses, as most rarely have:

- the time to invest in sophisticated strategic planning techniques;
- the knowledge to formulate such strategies;
- the ability to forecast the security of their product, market or labour force in the longer term;
- the funding necessary for the changes/developments which strategic planning can entail;
- the scale benefits that would compensate for the significant outlay in terms of money, time and other resources;
- management expertise to develop strategic awareness.

As such, the underlying theme within strategic management has been the notion of a long-term vision developed by the most senior directors of large firms. This vision is translated into a 'plan' to be actioned by professional, functional management with an assumption of a shared body of knowledge and vision among the management team. To develop an effective strategy requires considerable insight into the potential for the firm's products within the market, an ability to forecast change in markets, an in-depth knowledge of the external environment in which the firm presently operates, plus managerial talent to translate such knowledge into coherent policy. It is apparent that the conditions for developing



effective design school approaches will be limited in any national stock of firms, and this has led to a number of criticisms of this approach regarding its practical use as a tool for most organisations.

### The emergent strategy 'critique' and the small firm

The idea that strategy is not an exact science has, for some time, found support within academic literature. Even in 1959, Lindblom suggested that there was a 'science of muddling through', involving the cautious comparison of successive options and careful maintenance of consensus. This was given indirect support by the approach of Cyert and March (1963) on 'bounded rationality', where it was argued that managers have a limited ability to appraise all factors pertaining to the business process and have neither the time nor the will to gain all this information.

Such arguments question the viability of coherent corporate strategies articulated through a shared management outlook in larger firms, and this view has been supported recently in the development of the 'emergent strategy' debate. As such, strategic actions are deemed to be far more diffuse and intuitive than the somewhat fixed ideals outlined by the design school supporters and, therefore, to be more useful in the changing and volatile market conditions of the late 20th century (Whittington, 1993; Minzberg, 1994). Such critics argue cogently for a re-examination of strategic theory, given the failure of more predictive models to cope with the complexity of the contemporary business environment. In particular, it is argued that strategic awareness, development and planning arise from an intuitive understanding of the dynamic relationship between the firm, its employees, its products, markets and the external environment. This more intuitive, empathetic approach hinges upon developing a strategy which interacts between the external commercial environment and the internal competence of the firm. This gradual, adaptive approach is also useful in that it provides a framework within which the strategy process can be applied to small firms. Emergent strategies involve a loose plan of action, recognising the impact of the external environment in creating change. Thus, the business strategy must be flexible, with the emphasis upon the intuitive and informal, rather than attempting to develop a prescriptive strategy with a predicted outcome. Indeed, Minzberg (1994: 227) goes even further:

'strategy making is an immensely complex process involving the most sophisticated, subtle and at times the subconscious of human cognitive and social processes.... We know that the dynamics of the context have repeatedly defied the efforts to force the process into a predetermined schedule or onto a predetermined track. Strategies inevitably exhibit some emergent qualities, and even when largely deliberate, often appear less formally planned than informally visionary.'

There are a number of characteristics and circumstances associated with the small-firm sector that ensure a degree of compatibility with this emergent approach. Given the heterogeneity of the sector, it is unfeasible to argue that all firms will share the same characteristics and circumstances, but some generic differences between the behaviour of large and small business can be identified, in that smaller firms are more likely to display:

- *Informal learning* — owner-managers are likely to have acquired most of their business skills and experience 'on-the-job'; management are less likely to have engaged with formal training and development schemes. Thus, competence in task performance will be foremost rather than formal qualification, this can lead to a narrow outlook with little external input but also, to a profound understanding of how the firm works and its immediate operating environment.
- *Management tasks* — owing to the probability that small firms will not offer similar remuneration packages or promotion hierarchies to those available in larger firms, this can lead to difficulties in recruiting skilled managers and stimulate an internal recruitment policy. This can encourage the management team to contribute to differing management functions, but the restricted size of the team may lead to an emphasis on certain areas at the expense of others. Clarke (1972) argues that in such circumstances, managers find it difficult to recognise new challenges from the external environment, but the small size of the team, the likelihood of good communication and awareness/insight into other management roles can constitute an advantage in managing change.
- *Finance* — small firms are most likely to be financed through personal equity or bank loans



and overdrafts with a restricted resource base. Thus, short-term demands related to production are likely to be prioritised over longer-term investments in activities such as training.

— *Owner identification* — ‘the business is the ego’ (Gibb, 1988: 14). This implies that small-firm owners perceive their firm as a reflection of themselves, and are likely to maintain a firm hold upon the decision-making process. Underpinning this personal decision-making process is a considerable reliance upon owner intuition. Many small-firm owners have relatively few areas of business expertise, particularly during the start-up period, and these are generally related to production issues (Wynarczyk *et al.*, 1993). Thus, other business-related decisions are more likely to rely on owner intuition rather than specific skills and/or experiences. This can result in suggestions for change, or criticism of the firm being construed as personal attacks. This can then lead to reluctance by members of management to suggest changes and an additional ‘ego’ hurdle for the firm to meet when instigating changes. Professional HRMs may also meet resistance to advice if it runs counter to the owner’s intuition and personal view of the firm and its environment. (Points adapted from Bridge *et al.*, 1998).

In terms of management behaviours, Gibb (1987) offers a useful overview of differences between what he describes as ‘entrepreneurial management’ and ‘corporatist management’. The former is most likely to be found in organisations with flat structures and organic, interactive owner/management relations based on trust, ie smaller firms. The latter being associated with hierarchical organisations with clear authority demarcation and rational, legal structures, ie larger firms. The approaches are contrasted thus:

<i>Entrepreneurial management</i>	<i>Corporatist management</i>
Short time horizons	Long time horizons
Informal strategies	Formal strategies
Incremental development to reduce risk	Large scale development risk minimised through information
Action strategies through negotiation as or where necessary	Pre negotiated strategies for decision making
Management evaluated on task	

completion	Evaluation as routine
Avoidance of overheads	Seeks ownership of
risk of obsolescence by subcontracting	resources in order to control
(Adapted from Gibb, 1987: 21)	

Furthermore, smaller firms will not compete on economies of scale, instead they are more likely to focus on cost, quality of service, serving niche markets, swiftness of response and flexible and short batch production techniques (Burns and Dewhurst, 1996).

Regarding the external relations and environmental circumstances of small firms, it is again possible to suggest some common features while not suggesting that all firms in the sector will share these experiences. It has already been noted that small firms experience volatility in terms of survival and durability, and there are a number of reasons for this. Burns (1996: 5) suggests that smaller firms will be unable to exert much influence in their market, ‘they are price takers in the classic economic sense and are likely to face significant competition. This makes the risk of failure high ... competitive strategy is of paramount importance.’

While in the 1980s there was considerable government support for the small-firm sector, in the 1990s this has been scaled down in terms of both financial support and public policy endorsement (Burns, 1996). This presents added challenges for survival and durability in the sector. Yet, in terms of importance to the economy, small firms are critical. In 1998, the DTI reported that 46 per cent of those in employment work in small firms, while if the private sector alone is considered, over 90 per cent of those in employment are found in smaller firms (Small Business Action Update, 1998: 2). So, although it is evident that small firms do face hurdles in terms of establishing a market share that ensures stability and, if desired, growth, their role in the contemporary economy is of paramount importance.

Therefore, activities which can improve the sustainability of the sector should be promoted. It has been noted that firms which utilise some form of strategic approach, however informal, do perform better and are more likely to endure (Bamberger, 1980; Gibb and Scott, 1985; Hannon and Atherton, 1998). O’Farrell and Hitchens (1988) suggest that involvement in a strategic development process may separate successful firms from those who experience problems in survival and long-term



viability. In a study of firms with differing growth trajectories, Cosh and Hughes (1996) found that the stalled firms were characterised by ill-defined strategic direction. From an overall evaluation of the literature pertaining to planning activity and strategic competence, Hannon and Atherton (1998) conclude that strategic awareness is a 'valuable tool for owner managers' (p. 112). Moreover, building a strategic awareness capability linked with action planning creates considerable potential for business durability. Thus, it can be seen that developments within the strategic discipline indicate that a strategic activity may be intuitive, informal and *ad hoc*. Such activities may be identified in smaller firms where, it is suggested, they might enhance the survival, durability and, if desired, growth prospects of such firms.

### STRATEGIC HUMAN RESOURCE MANAGEMENT AND COMPETITIVE BEHAVIOUR

The critical precept of strategic HRM is that, as labour makes a crucial contribution to firm performance, the management of labour must form a central part of the organisation's strategic policy. Labour must be re-evaluated as a resource to develop, rather than a cost to control. Thus, if labour is the vital business resource, the efficient utilisation of labour must be approached in a strategic manner to ensure the most efficient use and development of the human resource. Strategic HRM is also termed a 'new managerial strategy' (Clark, 1998: 23), as its implementation has been made possible, certainly in the UK, by a determination by successive Conservative Governments since 1979 to undermine the traditional collective base of industrial relations and facilitate management in regaining their prerogative in labour management. The weakness of organised labour, combined with the growth in managerial prerogative, in a context of competitive volatility during the 1980s and 1990s, has encouraged the growth of HRM, with its focus upon individuality, flexibility, resource efficiency and strategic integration. However, there is some debate regarding the efficacy with which management have welcomed and adopted the HRM model on any large scale. As Legge (1995: xiv) remarks, 'while exemplars of its strategic implementation do exist, from case study and survey evidence the general picture is one of techniques associated with HRM receiving widespread support but implementation being largely *ad hoc*, opportunistic and fragmented'.

There is a relatively limited literature referring to labour management in smaller firms (Scafe, 1995). Some interest in the area was generated in the 1980s, partly in response to the popular sentiment that smaller organisations could successfully overcome industrial relations tensions and conflict evident in larger firms (Bolton, 1971; Department of Trade and Industry, 1986). As Goss (1991) and Rainnie (1989) found, however, small-firm employees were likely to experience poorer terms and conditions of employment than their large-firm counterparts and, while not engaging in overt forms of industrial action, employees certainly did manifest discontent through strategies such as high labour turnover. Overall, such studies indicated an informal and *ad hoc* approach to managing labour which resulted in poor employment practices but, with an owner manager perception of harmony and team working. The reality of small-firm employment did not meet the rhetoric of its supporters' claims.

More recent studies of the employment relationship do indicate a growing recognition of labour management as a critical activity within smaller firms (Abbot, 1993; Bacon *et al.*, 1996). In terms of strategic labour management in such firms, there is little evidence relating to the efficacy of the practice, but Hoque (1999), in an extensive study of HRM in the UK hotel industry (dominated by smaller establishments), found a link between HRM practices, strategic integration and enhanced business performance. In a survey of strategic development in growing firms, Newchurch and Co. (1990) noted that investing in staff was vital and developing an effective HRM strategy was an essential condition for successful growth. The findings of this study led the authors to suggest that 'government assistance for the development of people should form an important strand in policy towards growing business' (Newchurch and Co in the SME Research Database, 1997: 150). There is, however, some evidence to suggest that employment management strategies within small firms are constructed upon short-term goals devised by owners and their management teams, but the policies to achieve such goals are not constructed by dedicated HRM professionals (Wynarczyk *et al.*, 1993). Rather, given the primary stakeholder interest of the owner/senior managers in the firm, there is a strong emphasis placed upon retaining personal control and interaction with employees. Given that owners are unlikely to be HRM professionals, policies to achieve



Such goals will be based on intuitive approaches to labour, markets and production, although still with the aim of achieving identifiable business goals, both short- and long-term. Thus, strategic employee management in smaller firms can be investigated as a set of actions in response to the external environment, interpreted through internal competencies, leading to strategy formation which is emergent, flexible and founded upon personal interpretations of appropriate actions.

To investigate further the area of strategic HRM in smaller firms, the results of a national study of labour management in small firms will be cited. As part of this study, the firm owner or a senior manager was asked a series of questions which related to the development of HRM strategies within the enterprise on either a short- or long-term basis.

STUDY DESIGN

From an existing data base compiled in the mid-1990s, 300 firms were contacted by post to request an interview with the owner or a senior manager. The sample was selected to represent a range of ages, sizes and locations, and to reflect the dominance of service-oriented firms in the small business sector as a whole (see Table 1). Through follow-up calling, the owner or a senior manager of 64 firms agreed to be interviewed at length concerning the employee management policies and strategic aims of their businesses.

It is recognised that there are problems using a postal sweep, reduced to a respondent sample. There is always the potential for bias among firm owners who are prepared to be interviewed with an ignorance factor regarding the non-respondents. However, as an exploratory study, the aim was not to establish widespread trends or establish causal links between variables, but to explore ideas relating to the possible usage of emergent strategies within the sample. Further studies wishing to build upon the data released in this initial research would have to adopt more robust sampling tech-

niques to address this potential problem and consider bias-response tests. A further critique of the study is the failure to consult employees, given that the focus of the paper is upon the dynamics of the employment relationship. Indeed, most of the research undertaken in this area has failed to address workforce views adequately (Scase, 1995). However, in this case, the broad focus is upon owner/management approaches to strategic development, specifically that of human resource issues. To consider the extent to which these are recognised by employees or effect their behaviour, it would be imperative to extend the study design.

Each respondent was interviewed personally using a questionnaire which incorporated both closed and open-ended questions. The closed questions were simple 'yes' or 'no' responses or based on a Likert scale. Responses to the open-ended questions were transcribed and, for the purposes of this initial, exploratory analysis, grouped into broad categories to provide the simple frequency counts tables and charts which follow, allowing key trends around critical areas of HRM and strategy to be highlighted. Where appropriate, these have been augmented with fuller references to individual responses. This offered appropriate indication of current practices and perceptions of the issues for the purposes of this exploratory study.

RESULTS AND DISCUSSION

**The importance of a strategic approach**  
From the sample of 64 firms, when asked, 'Do you believe that small firms should adopt a strategic approach to managing people in the workplace?', the majority of owners/managing directors (90.2 per cent) believed that such an approach should be present. It was the smallest-firm owners (indicated by employee size) who felt no need for a strategic approach; one owner specifically stated that he had no plans for growth and, therefore, no need for a strategy! This respondent felt that a strategic approach was a pathway forward for

Table 1: Sample characteristics

Size (employees)		Age		Sector		Location				
Mean	Range	Mean	Range	Service	Manufacturing	S/IV	Midlands	N/E	N/W	S/E
74	4-210	9	2-75	43	21	4	40	6	8	6

n = 64.



those firms whose intention was to grow, it was not perceived as important for strengthening or maintaining durability without actual growth. This association between size, growth and strategy was supported by a number of other respondents in similar terms when discussing this question.

### The development and use of strategic approaches

Respondents were asked a series of questions to elicit definitions and discussions of the firms' strategic policies, practices and overall aims, and to determine to what extent these were shared with other employees. This latter point could not be confirmed, as this exploratory study focused solely on owners or managers, but it was believed that the management perception of the degree to which information is disseminated through the organisation is important in assessing a strategic approach to managing labour. The questions sought to establish whether any strategy existed as a common plan that the organisation sought to realise in the sense of Minzberg (1994), who argues that strategy is a perspective shared by members of an organisation, through intentions or actions. Overall, the majority of respondents demonstrated a difficulty in discerning between an overall strategy which embraced particular management actions and competencies to achieve a desired outcome, and a more vague mission statement focused upon quality provision and customer satisfaction, which was generally known to all. When questioned further about specific policies that might contribute to a strategic aim, there was an emphasis upon discrete operational issues. The focus was more upon sales growth and provision of quality and value to the customer, rather than any articulation of how these areas might combine to achieve a common strategic aim of enhancing market share. So rather than a stated strategic goal to improve market share and profitability through specified policies related to, for example, labour management, production techniques, etc., there was a generalised response in terms of continuous, but unspecified, product/service improvement policies.

### Employee management and competitive advantage

When questioned specifically about labour management, 85 per cent of respondents agreed that employment management policies had the potential to offer competitive advantage to individual

Table 2: Do you believe that a coherent HRM policy is essential in the development of a firm's strategic plan? (Likert scale option response)

Level of importance	Number of firms	% of firms
Critical	40	62.5
Important	10	15.65
Quite important	8	12.5
Not important	6	9.4
Total	64	100

n = 64.

firms. Upon closer questioning, the majority of respondents also believed that HRM policies and practices should form a critical part of any strategic development policy (see Table 2).

From the discussion which emanated from this question, it was apparent that a majority of the respondents firmly believed that the manner in which labour was managed was of substantial importance to the future development of the firm. However, while a belief in the importance of a coherent labour management policy was articulated, there was limited evidence that it was being practised with any formality. For there to be *formal* labour management in evidence it was argued that a business needs to employ a manager whose dedicated role focuses upon actively managing employee relations, who is likely to be termed a personnel or HRM manager or director and delegates responsibility to line managers (Cully *et al.*, 1999). In terms of professional labour management only ten firms (15.6 per cent) had a personnel director/manager in post, and these were the largest. When asked 'who handles the day to day management of employee relations?', it was found that, for most firms, the management team as a whole were most likely to share this task. Each functional or line manager was likely to undertake responsibility for their dedicated employees, with this being considered the most appropriate manner in which to ensure efficient management; a typical comment being:

'individual managers are most likely to have the best knowledge of the individuals and skills required for the job in hand. They also get to know the people better because they are working with them, so if there are problems they will know straight away.'

This may be interpreted as a somewhat *ad hoc*



approach given the lack of formality. However, it could also be argued that the proximity of the manager to the employee and the awareness of tasks would offer some advantage when making change. If a firm has adopted a strategic approach, this should be reflected in the manner in which labour is recruited and selected. It would be expected that firms would try to identify prospective employees who will contribute most aptly to business needs, yet there was a strong reliance on recruiting from a limited pool of respondents through dependence on informal 'grapevine' methods (Table 3). So, rather than analysing labour needs primarily on the basis of contribution to the enterprises' present and future needs, there is an emphasis upon finding people who 'fit' the firms' current culture and outlook — this was generally judged by the potential employee being known to a current employee. However, management were more likely to be recruited through formal channels, but priorities were placed upon 'experience' rather than qualifications. The exception to this was finance management, given the need for individuals to have specific professional qualifications to meet regulatory requirements when preparing financial information for external agencies, such as annual accounts.

There are disadvantages in relying on informal methods of recruitment. Generally, it is discriminatory to seek to replicate existing employees, particularly where the workforce is small. Also, the pool of potential skills and talents is curtailed when the employee 'trawl' is limited (Bratton and Gold, 1998). If labour recruitment is largely limited to the 'grapevine', this is likely to act as a barrier to enlarging employee diversity if social references take priority over formal applications.

Table 3: Which recruitment and selection method do you prefer for (a) management and (b) non-management? (Open-ended, unprompted responses)

Method	Management		Non-management	
	Number	% of firms	Number	% of firms
Recommended	23	35.9	27	42.2
Advertising	17	26.6	15	23.4
Job centre	0	0	10	15.6
Agency	20	31.1	8	12.5
Other	4	6.3	4	6.3
Total	64	100	64	100

Yet, it might equally be argued that where a workforce is small and likely to be working in close proximity, the benefits of choosing a new employee who 'fits' outweighs the potential costs of employing someone who, however well qualified, does not 'fit'.

The process of strategy formulation, whether formal or emergent, does require management to recognise areas of strength and weakness in the organisation, which will assist or impede the achievement of strategic aims. Given that the respondents have indicated that they considered labour management important to any strategic plans which the firms might develop, it is useful to examine how employees are valued in the assessment of strengths and weaknesses (see Figure 1).

Respondents believed that service and quality were crucial elements in the development of any business strategy, and these issues were perceived as a business strength. However, the workforce was also a key issue in the future strategic development of the firm, confirming a critical role for employee relations in the development of the enterprise. While the contribution of the labour force is recognised as crucial to business development, the lack of employee skills emerges as a significant weakness for many firms. Indeed, Figure 2 shows that management skills (15 per cent), employee skills (19 per cent) and physical skills (15 per cent) categories combined account for 49 per cent of the most important weakness in their businesses.

It seems that most of the respondents in this sample have an awareness of the need for strategic business development but do not articulate formal policies to achieve their stated aims; indeed the rather generic approach to strategic articulation is

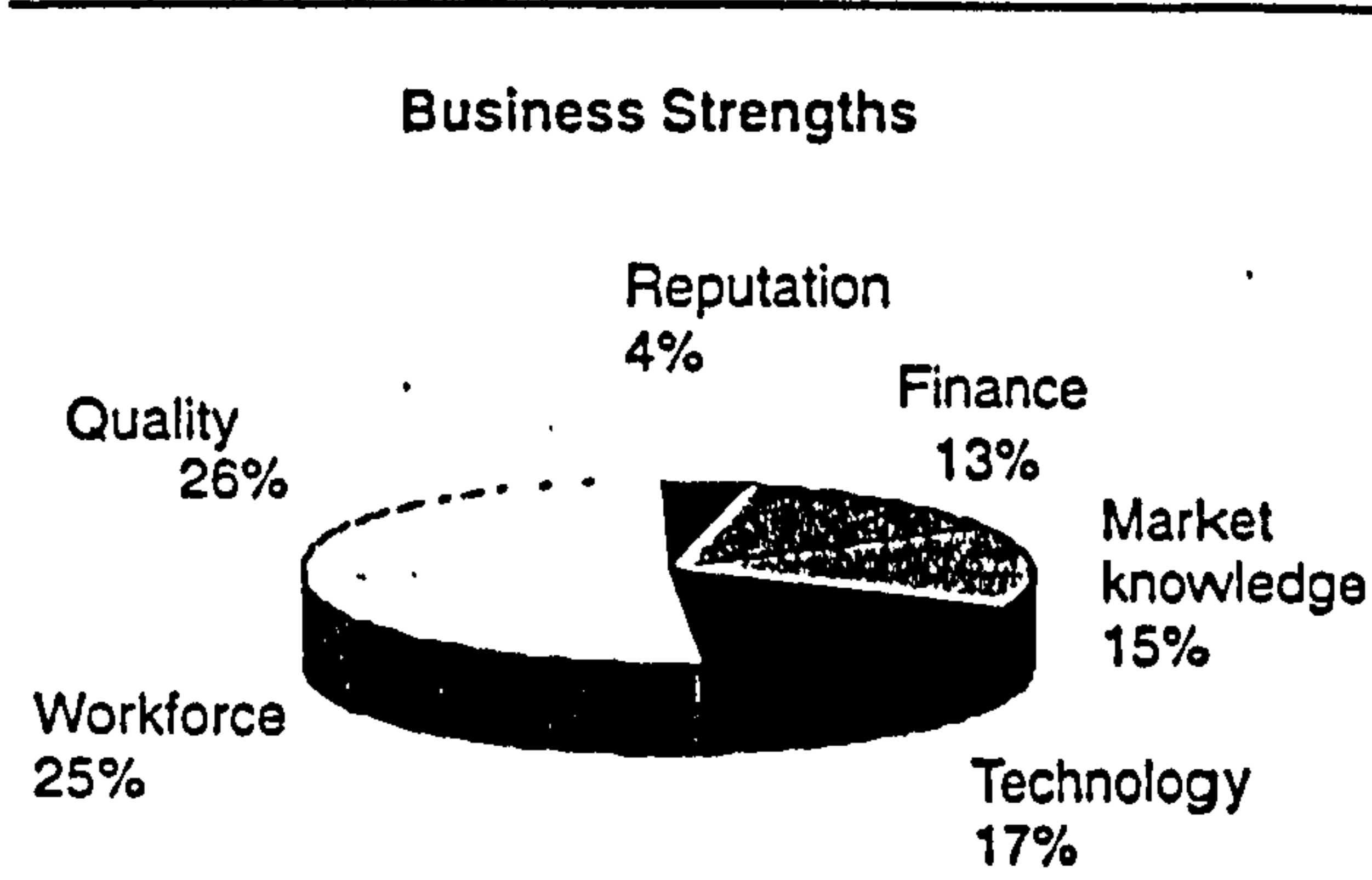
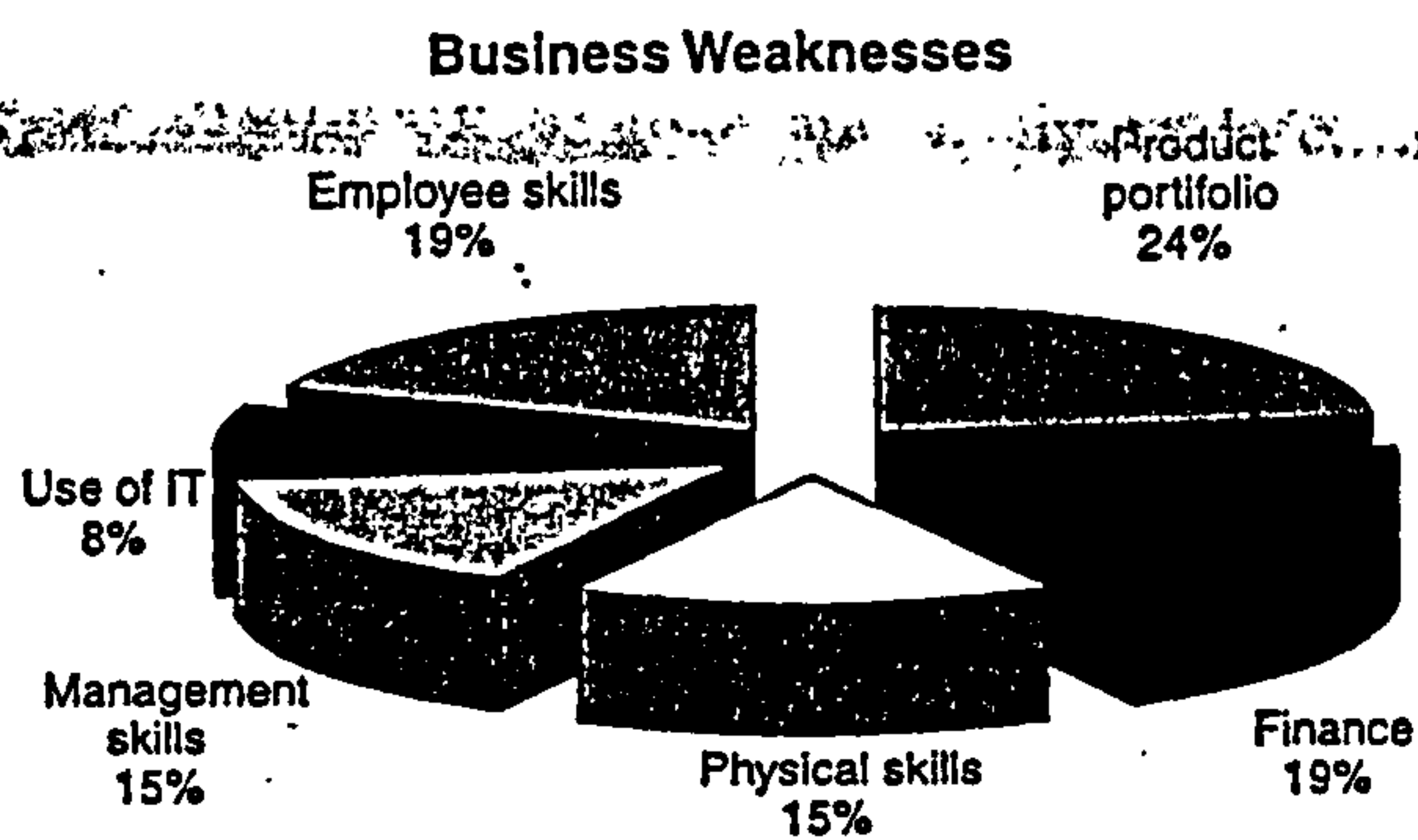


Figure 1: If you were devising a strategic development plan for the firm, what would you consider to be the major strength of the business today? (Open-ended, unprompted responses)





**Figure 2:** If you were devising a strategic development plan for the firm, what would you consider to be the major weakness of the business today? (Open-ended, unprompted responses)

vague rather than emergent. However, there is clear awareness of the importance of the workforce and employee relations issues to the future of the firm. To investigate whether labour management is undertaken with the intent of harnessing employee skills, commitment and participation to contribute to the future development of the business, a number of areas were considered in more depth. The issues of training, communication, participation and information sharing were assessed. By considering these areas only, there is a limitation placed upon the understanding of the employee relationship, but it is not feasible to explore every aspect of labour management within the confines of this exploratory discussion, so a number of limited areas have been identified for closer examination. These particular issues are believed to be highly pertinent to the discussion as:

- Training represents an investment in the individual by the firm, demonstrating a willingness to develop employees with the aim of a future return from current investment.
- Participation and communication schemes indicate a desire for a reciprocal relationship with employees to exchange information and ideas regarding current and future development of the firm. Encouraging employee contribution, while sharing some business information enables the firm to utilise the employees observations regarding production efficiency, engages commitment to the future. It also discourages employees from considering other avenues of access to decision making and information sharing, such as trade union representation (McLoughlin and Gourlay, 1994).

### Training and development

Stanworth and Gray (1991) conclude that 'small firms are reluctant to train, resulting from the scepticism of its value' (p. 189), an argument supported 'in contemporary studies' (Keep and Mayhew, 1997; Marlow, 1998). Yet in this sample, a commitment to training was articulated by the majority of respondents, with a clear division between management and non-management training (Table 4). Much of the training for non-management employees was at the most basic 'sitting by Nellie' level of informality and conducted as induction exercises with no commitment to any further training. However, this was likely to be a reflection of the semi- or unskilled nature of the work, rather than a negative attitude towards training as an activity or investment. There is a difficulty differentiating between an articulated belief in the value of training and the actual willingness to invest. There was, however, a desire for more management training opportunities, if these could be made sufficiently flexible to fit in with the work patterns of the individuals and the specific needs of the business, with a key issue being the perception of value in terms of cost. Most training initiatives were focused on developing general managerial skills through seminars, while suppliers of new equipment acted as important, 'one-off' training providers.

While management were more likely to benefit from external courses and study, the manufacturing and software firms, in particular, regularly sent all employees for specific training to use new technologies or production techniques. Meanwhile, the

**Table 4:** Indicate what type of firm-sponsored training and development opportunities are undertaken by (a) management employees, (b) non-management employees. (Close-ended, prompted responses)

Type of training	Management		Non-management	
	Number	%	Number	%
	of firms		of firms	
Informal 'on the job'	58	90.6	64	100
Informal job rotation	3	4.6	44	68.6
Formal internally delivered	10	15.6	16	25.0
Formal externally delivered	28	43.7	15	23.4

n = 64 with opportunity for multiple response.



greater importance of formal, internally delivered training for non-management employees was, in part, explained by the need for access to production or other equipment located there. There was awareness of the value of training and development in terms of a contribution to the future development of the firm, but the likelihood of 'awareness' being translated into 'activity' requires further investigation. When asked if training and development policies were devised to achieve a specific strategic objective, only two (3 per cent) of the respondents claimed to have such an objective in mind, and none of the firms felt they engaged in a continuous training cycle or offered employees opportunities for 'lifelong learning'. This does confirm some previous findings upon training initiatives, ie a positive appraisal of the value of training and development but a reluctance to engage in sustained investment in the process (Jennings and Hawley, 1996; Marlow, 1998).

#### Employee participation

Respondents were asked a series of questions to ascertain the degree to which they communicated with employees concerning business aims and commitments, the extent to which employees might contribute suggestions regarding the business process, and, finally, how effective was such communication. If reciprocal schemes to share information are in place, it can be ascertained whether such information is then utilised to develop a strategic awareness among employees, and if employee knowledge, commitment and loyalty can be 'built' into the future development of the business.

Reflecting current trends in the small-firm sector as a whole, the majority of the sample were non-union firms and had no plans for recognition. Only two of the firms recognised unions but observed agreed union rates, terms and conditions rather than engaged in collective bargaining. None had any form of works council and only 12 firms had formal employee representatives. Thus, it was appropriate to consider alternative channels of employee communication and participation for this sample. Each owner was asked whether a communication/participation programme was utilised on a regular basis, and if so, what type of scheme was employed. From the sample, 52 firms (81.25 per cent) claimed to have some type of scheme under continuous operation (see Table 5).

Reciprocal communication is of limited value

Table 5: Methods regularly used to facilitate staff communication/participation (Closed-ended, prompted responses)

Type of scheme	Number	% of firms
Newsletter	32	50.0
Suggestion scheme	29	45.3
Share schemes (management)	3	4.7
Workforce meetings	26	40.6
Group management meetings	51	79.6
None	12	18.75

<sup>†</sup>n = 64 with opportunities for multiple response.

unless it is acted upon. Twenty-one (65.6 per cent) of the 32 respondents who utilised newsletters felt that they would put information regarding significant changes to business policy and plans in the newsletter, and would take serious note of workforce response when devising plans for future development. However, this situation had not arisen for any of the firms in the sample to date, so the question of how a workforce would respond where no formal representation exists, remains mute. Regarding suggestion schemes, 29 (45 per cent) of firms had them in place, but a quarter of this group admitted they were defunct as a result of not being taken seriously. The remainder felt that such schemes were helpful for comments on day-to-day issues within the business, but none of the respondents felt that employee suggestions had, or would in the future, make a significant contribution to the strategic development of the firm. It appeared that schemes were left in place to satisfy any employee desire to comment upon work practices, rather than to enable management to amend policies in the light of employee opinion.

Having ascertained that only a minority of the sample were attempting to establish effective communication channels with employees, it was useful to gauge to what extent the respondents felt it appropriate to share information. When asked, 'to what extent should employees be aware of current issues and future plans for the development of the firm', the majority of respondents felt 'to some extent'. A majority, 49 respondents (76.5 per cent), believed that many employees would not have the knowledge to appreciate management rationale for their initiatives, so such awareness would only lead to confusion. Only two (3.8 per cent) of the owners believed that total awareness was essential, 13 (20.3 per cent) believed current



and future planning to be an issue of sole management prerogative.

### Summary

Within this sample of respondents, there existed a clear recognition of the need for a strategic awareness to support firm durability and growth. However, it appears that there is a problem in respect of translating awareness into action. There was little evidence for any coherent use of labour management policies to generate strategic HRM. It would appear that guidance regarding the importance of an overall assessment of business competencies and how these interact may be useful to firms, where owners and senior managers readily acknowledged the value of a strategic approach, but had difficulty finding the best way to put this into action. Thus, as well as focusing on discrete areas of action and their immediate benefits, policy HRMs should emphasise the interactive role of specific initiatives in contributing to wider goals for the future of the firm.

### CONCLUSION

The aim of this paper was to ascertain whether there is any evidence that small firms might use emergent strategic approaches in managing their employees. To investigate this issue, it has been argued that strategic management has in the past, been most closely associated with larger firms, owing to the prevalence of the design school approach to analysing and prescribing strategic action in corporate enterprises. A critical appraisal of this approach suggests that strategic activity is far more informal and 'hands on' than has previously been suggested by design school advocates. Indeed, it is argued that in the majority of firms, strategy is emergent, rather than design based (Whittington, 1993; Minzberg, 1994). This approach recognises that management decisions are often based on information which is imprecise and subject to fluctuation. This is not to suggest incompetence, but to acknowledge the volatile and short-term nature of contemporary market conditions. Hence, a strategic approach which is emergent is more appropriate and efficient for most firms to utilise when integrating business activity and the competitive environment.

This paper developed the issue further by suggesting that such informal and flexible approaches to strategy might be utilised by owners and management teams in smaller firms, where decisions are frequently based on short-term projections,

incomplete knowledge and subject to market volatility. It has been acknowledged that the small-firm sector is volatile, so any activity which offers greater stability is to be encouraged. Evidence suggests that small firms which adopt some form of strategic approach are likely to achieve greater stability in the market than those who do not (Hannon and Atherton, 1998). To examine this proposition in greater depth, the discussion focused specifically upon the issue of strategic HRM in small firms. As a managerial strategy, HRM perceives employees as a resource to be efficiently managed, rather than a cost to be minimised. Thus, appropriate HRM policies, strategically integrated with other management activities, can offer a major source of improved competitiveness for businesses. While evidence from the 1980s and early 1990s suggests that small firms were likely to utilise very informal and *ad hoc* approaches to managing their staff (Scase, 1995), more recent work now suggests that small firms are recognising the potential of HRM to add value to the firm (Abbot, 1993; Bacon *et al.*, 1996; Hoque, 1999).

To investigate the issues raised, the results of an empirical study of strategic HRM in 64 small firms have been presented, with the aim of generating discussion rather than establishing trends or causal links. What has emerged is that respondents were aware of strategy issues, and most believed in the need to adopt a strategic approach. The firms within the sample reflected many of the practices associated with the emergent strategic approach, i.e. flexibility, short termism and informality. Firms in the sample were aware of the need for a strategic approach, recognised the strengths and weaknesses of their firms, and were adopting strategies which they believed to be appropriate for the firm, and the market in which it operated. However, from the evidence generated by this exploratory study, it is suggested that the firms were not achieving their potential level of strategic competence, given they were not integrating their HRM policies with the aim of establishing greater firm durability or, if desired, expansion. Here, there is a clear opportunity for an initiative from relevant support agencies to identify and assist in integration of management activities. It would also be useful for future research to investigate whether those firms with some 'strategic awareness' are in fact more durable and, if so, there would be a clear case for greater advice and assistance to owners and managers in developing strategic competence. There is also considerable scope to investigate how



owners and managers develop perceptions of strategic behaviour, and what information they utilise to inform their strategic activity. By developing a more profound understanding of what owners and managers understand by strategy and strategic behaviour, researchers, policy makers and practitioners would be better able to identify the aims of the strategies and offer more useful assistance in achieving such aims.

Finally, from the data realised by this study, it is apparent that the firms in this sample relied largely on an informal approach to employee relations. While it was not an issue when the data were collected, it would be very interesting for future research to consider whether any strategic approaches are being adopted to deal with the increased regulation of the employment relationship. The Employment Relations Bill demands that firms with more than 20 employees observe specific employment practices and policies establishing individual and collective rights at work. Trade unions are already targeting smaller firms as rich pools for potential recruitment (Metcalf, 1999). Such encroachment upon owner and managerial prerogative would have potential to stimulate strategic responses to protect autonomy, and to avoid substantial penalties which could result from breaching the new regulations. From the points raised within this paper regarding the use of strategic management in small firms, and the potential for further research, it would appear that there remains a substantial number of issues for the research community to consider in greater detail.

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**THE RELATIONSHIP BETWEEN TRAINING AND SMALL FIRM  
PERFORMANCE: RESEARCH FRAMEWORKS AND LOST QUESTS.**

**DEAN PATTON, SUSAN MARLOW & PAUL HANNON.**

# The Relationship Between Training and Small Firm Performance; Research Frameworks and Lost Quests

*by Dean Patton, Sue Marlow and Paul Hannon*

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FOR MANY YEARS IT HAS BEEN acknowledged that the take-up of formal management and employee training and development opportunities within the UK has been generally poor, and this has had a detrimental effect upon national productivity and competitiveness (Keep and Mayhew, 1997). In order to address this problem, successive UK governments have invested considerable resources in broadening the range and scope of agencies offering training schemes and developed new standards to recognise both corporate and individual achievement such as National Vocational Qualifications (NVQs), Investors in People (IIP) awards and the Management Charter Initiative (MCI). Organisations are being encouraged to develop training programmes for employees, to support those who seek external training

opportunities whilst employees themselves are being offered incentives to develop skills with assistance from initiatives such as individual learning accounts.

Within the economy as a whole, however, there is still a relatively low level of training being undertaken with most concentrated in large blue chip companies (Marlow, 1998). It is noticeable that smaller firms in particular are reluctant to engage with training initiatives regardless of the incentives offered (Maton, 1999; Jennings and Hawley, 1996; Stanworth and Gray, 1992). From existing research it would appear that there are some critical issues which act as barriers to small firms engaging with training, namely organisational constraints such as a lack of time or finance or ignorance of benefits and available schemes (Westhead and Storey,



1997; Marlow, 1998). To some extent it would appear myopic on the part of small firms to avoid training as intuitively, it is assumed that training — by developing existing or introducing new skills and/or knowledge — must enhance business performance. However, to date this axiomatic proposition remains difficult to demonstrate rather, it is tentatively suggested that, instead of positive benefits accruing to organisations that train, "it is perhaps more feasible to demonstrate that organisational performance can be held back through a neglect of training activity" (Hallier and Butts, 1999, p82). Recently, considerable effort has, in fact, been made to indicate that very few studies of this area, whether qualitative or quantitative, can demonstrate in any robust fashion that investment in training and development initiatives will directly lead to improved business performance (Westhead, 1996). This has serious implications for continued investment in agency support and delivery whilst questioning the validity of existing training interventions.

The primary focus of this discussion is to establish a framework that might allow more informed comment on the relationship between training and performance. This paper will contribute to this debate firstly by considering existing literature specifically pertaining to the issue of training and small firm performance and secondly by critically evaluating the methodological approaches which have been utilised by such studies. This will lead into a debate on research design and the development of a framework in which the relationship of training and performance can be considered. Finally, it will be argued that the manner in which the 'training process' is currently considered is too

narrow. By substantially expanding our definition of the training experience to include issues such as effects of training on other stake holders, effects upon learning approaches, dissemination of learning and the development of relationships with training providers, it will be possible to gain a more profound understanding of the 'training experience'. This may enable us to develop a concept of training as an ongoing process, rather than a unitary experience with a discernible and measurable impact focused solely upon economic parameters.

#### Recent Evidence on the Relationship Between Training and Performance

Within policy statements and discussions of the small firm sector it has frequently been stated that investment in training leads to improved performance, but the majority of studies have failed to find a notable link between the two. Cannon (1997), for example, makes the claim that "*appropriate management development significantly increases the survival rates of SMEs*" and goes on to suggest that . . . "*the balance of evidence indicates that formal training and development cuts failure rates by half — all other things being equal*" (pv). There are other illustrations from the literature that offer supporting evidence that training and performance are probably linked, without making such a statement explicit. Johnson and Gubbins (1992), for example, associate training with business policy and suggest that it assists in maintaining competitiveness and facilitates expansion. In 1996, a qualitative study by Hales *et al* indicated that NVQs were seen as improving job satisfaction, commitment and morale, but the employers could not quantify any

direct influence on performance. Other studies have indicated that training is linked to factors closely associated to performance, for example, Variyam and Kraybill (1993) found that management education led to greater use of planning and technology but did not consider whether this led to any actual impact on firm performance. Similarly, Birley and Westhead (1990) found that management training was linked to size and profitability, but did not investigate evidence for a causal relationship between the two. Winterton and Winterton (1996), although arguing for a general relationship, found that evidence of a link between performance and competence-based management development was significantly weaker in smaller firms than in medium or large firms. Wyncarczyk *et al* (1993) in a study of managerial labour markets, were unable to find evidence of any relationship between management training and performance. From an extensive literature review of the area, Westhead and Storey (1996, 1997) were unable to discover any substantial evidence which demonstrated that the provision of training within small firms leads to, or is associated with, improved business performance. However, the same authors tentatively recognise that a weak link probably does exist, but that such a link has yet to be unequivocally demonstrated.

Such findings are discussed in a recent study by Cosh *et al* (1998) where a weak link between training and business performance was identified. The study covered two periods 1987-90 and 1990-95 and used a relatively large sample of 1,640 SMEs in the manufacturing and business services sectors. The findings indicated that the provision of training,

when considered with other variables (for example firm maturity, past innovation, and sector of operation), had very little impact on the probability of survival with the exception of firms with between 10 and 20 employees. In these firms, training was found to improve the probability of survival. In terms of employment and sales growth the analysis revealed similar findings; a positive, but not always statistically significant relationship, between each factor and the provision of training as a whole, and management training in particular, in both periods. The research, however, could not find a consistent link between training and profitability; a positive link was found in the period 1987-90 for larger firms, whilst for businesses with between 10 and 20 employees there was a positive link in the period 1990-95. From the range of evidence presented, drawn from both the positivist and interpretist traditions, it would appear that the evidence indicating a strong relationship between training and development and the performance of small firms is inconsistent. The reasons that have been offered in the literature fall into three categories. Firstly, it is possible that there actually is no causal or even associative relationship between management training and performance. Secondly, it is possible that the failure to find a significant relationship originates from the methodological difficulties associated with measuring and isolating the impact of interventions on small firm performance. Thirdly, it may be a failure to take account of other variables that have a propensity to impact upon the training/performance relationship. Such issues will now be explored in greater depth.



### 1. Causality Between Training and Performance

The small firm sector is complex and characterised by heterogeneity where firms are controlled by a diverse range of owner-managers who are able to commission various training interventions (Westhead, 1995; Welch, 1996; Curran *et al.*, 1996). The performance, survival and growth of small firms, therefore, can be influenced by a wide range of intricate and often subtle influences and antecedents (Pettigrew *et al.*, 1991; Box *et al.*, 1993; Wond *et al.*, 1997; Watson *et al.*, 1998). As Westhead (1995) argues, a variety of factors including the characteristics of the owner-manager and the firm work in combination to influence survival and growth. It is this diversity that makes the targeting of training at small businesses so difficult and generic solutions inappropriate, given that the environment and needs of each firm differ.

The range of variables in the training/performance relationship has led Welch (1996) to state that *"the cause-and-effect explanation has less to do with training as an independent factor and much more with the way that all aspects of a successful business will be in alignment and mutually supportive"* (p76). Gibb (1977) has indicated that the complexities associated with isolating the impact of management training and interventions on performance suggests that *"there must be considerable doubt as to whether a definite answer could ever be found to the question of payback on training"* (p13). It has already been indicated, however, by Cosh *et al.* (1998) that it is possible to identify a statistical relationship between training and performance. The authors themselves, nevertheless, acknowledge

that the statistical link between training and performance is both weak and inconsistent, further emphasising that it is simplistic to suggest that the utilisation of training and development initiatives alone can be considered in isolation when evaluating performance in small firms. So, overall, the evidence regarding the link between training and performance is both weak and tenuous. Yet, it is not clear whether this is because there is no relationship to be identified or whether separating out these specific variables and effectively testing them is a substantial challenge in terms of research design and methodological approach which has not yet been effectively met.

### 2. Methodological Issues

The majority of research investigations into the effects of training upon firm performance have relied upon the qualitative or interpretist method (Westhead and Storey, 1997). There have been cogent arguments advanced for the use of such interpretist methods within the social sciences given the particularistic nature of small-scale social actions which combine to create larger social trends or movements (Bell and Newby, 1977). It is argued that the only way to fully understand the lived experience of research subjects is to observe them in situ; this is only possible if the researcher directly observes the situation and this will, for most studies, limit the number of possible observable interactions. The outcomes of such qualitative research are therefore, usually limited in number but rich in detail. The small sample sizes of most qualitative studies limit the opportunity to generalise the findings across whole populations. This problem can be addressed by utilising quantitative



methodologies based on large samples and such studies are undoubtedly invaluable for the identification of general trends across larger populations. The data realised is accessible to complex statistical analyses which can be utilised to argue for robust relations between variables. Such coarse grained studies, based upon aggregate samples, cannot recognise heterogeneity; this is a critical issue for investigations into the small firm sector renowned for variability and 'idiosyncrasy' (Stanworth and Gray, 1991). When examining changes or events within the sector, the volatility of internal and external environments is exceedingly difficult to control to enable comparative analyses.

One solution to this methodological dilemma may be the adoption of a hybrid methodology enabling the research to use a mix of both quantitative and qualitative methods negating the weaknesses in one set of data via the strengths exhibited by the other set and vice-versa. This is not a new phenomenon. Sieber (1973) argued that qualitative fieldwork and quantitative survey methods can be integrated within a research process. Triangulation techniques over the long-term would enable the researcher to address some of these difficulties and may also be able to isolate the impact of one particular intervention, from other associated interventions, as highlighted by Vickerstaff (1992) and Segal Quince Wicksteed Ltd. (1995). Furthermore, this approach would enable researchers to assess the added value to small firms associated with the provision of various different types of training. Whilst such an approach can be useful in bridging the dichotomy between positivism and interpretism, the problem of

appropriately integrating the findings can still be problematical. There is always the possibility that utilising contrasting approaches will generate information pertinent to different facets of the research question, leaving the researcher with diverse sets of data which may prove disparate rather than integrative. There would also be some value in being able to compare and contrast a cohort of firms who invested in training interventions against a 'control' group of firms that have chosen not to undertake such activity. Hofer and Bygrave (1992) warn, however, of the difficulty of employing matched-pair or controlled-variable comparisons because of the problems of trying to control for the numerous antecedent variables in a study over the longer term. Indeed, Gibb (1992) suggests the matching process has the potential to narrow the acceptable parameters of the sample to the point of being unrepresentative of the population in question. These problems are challenging, but not insurmountable, given that studies based upon this approach have offered valuable insights into issues critical to smaller firms, for example, the study of managerial labour markets (Wynarczyk *et al.*, 1993) and female entrepreneurship (Marlow, 1997).

On the basis of the issues raised, plus existing evidence from other areas of study, for example, the processes involved in small business growth, it would appear that the interpretative approach enables researchers to fully evaluate the environmental context of the firm, assess the owner/manager's ambitions and expectations of a training intervention and enables a detailed 'tracking' of the delivery and impact of the intervention. The utilisation of such interpretist approaches would offer insight at the



expense of identification of wider trends. It has already been noted however, that the heterogeneity of the small firm sector does offer considerable challenges to identifying specific variables constant across samples to make the final data sufficiently robust to draw firm conclusions. The initial problem around the critical area of whether it can be unquestionably demonstrated that investment in training initiatives can, or indeed will, lead to enhanced firm performance will still remain. Yet, if it becomes possible to draw upon a wide variety of interpretative studies the questions around the central issues will become clearer, as will the variety of responses adopted by owner/managers to enabling a more insightful overview to be established.

Having argued that when considering the relationship between training and performance, an interpretist approach would be more useful to realise rich data, the fundamental problem of defining the nature of the actual training episode under scrutiny needs to be closely considered. It is difficult to evaluate investigations where the type of training being studied is not actually defined; if the delivery time period or delivery methods employed are not specified or if little account is given of all costs which may be incurred. Other studies (see for example, Marshal *et al.*, 1993, Tremlett, 1993) have been more concerned with evaluating a particular training programme rather than investigating the impact of training *per se*. A further issue is the time scale adopted by investigations into training impacts given that much research has been based on a 'snap shot' approach or over the short-term. However, the benefits of the training experience are not always immediate. It

can take some time for employees to adopt and adapt to new information and ways of working, equally new or different ideas will take time to be absorbed into firm strategies. Thus, a 'snap shot' approach is probably inappropriate to assess impacts of training upon performance and there are now arguments to reverse this trend (for a critical overview see Westhead and Storey, 1996, 1997; Blackburn and Stokes, 1998; and Deakins and Freel, 1998). Utilising a longitudinal approach offers researchers the opportunity to develop both quantitative and qualitative data to triangulate findings and identify general trends, in addition to specific nuances between size bands and industry sectors (see Hoyer and Bygrave, 1992; Cushion, 1995). This also creates time to develop case analyses that could consider the dynamic process of learning and development, the social dynamics of the firm, embeddedness of experiences and unique characteristics of owner-managers (Romano, 1989; Chetty, 1996).

There is also scope to improve the methods by which the impact of the training process itself is identified. Criteria, such as increases in sales or profit, are the simple but relatively unsophisticated measures of performance which have been commonly utilised when gauging the relationship between training intervention and performance (see, for example, Woo *et al.*, 1989). Yet, it is now becoming clear that it is critical to include the firm owner, and management teams' perception of performance enhancement which may be far more subtle and challenging to measure, and would include issues such as service given, customer satisfaction or job fulfilment. Adopting a longitudinal approach allows research to account for



changes in the operating environment, differences in the decision process that led to the training and differences in training providers and the process by which training is assimilated and employed by the firm. It also offers the opportunity to provide softer measures of changes in performance. These measures could include a stakeholder perspective, which looks at qualitative data on the perceptions of owner-managers, employees, customers, local authorities, financial institutions, suppliers and government (Gibb and Davies, 1990; Jennings and Beaver, 1997). Other measures could include quality of management, leadership and motivation cost improvements, reduction in debtor days, or developments in innovation and quality (Robertson, 1998). Alternatively, Healy and Lynas (1997) suggest security, continuation of business and recognition. This approach facilitates further investigation of the attributional processes associated with self-reporting after-the-fact techniques. For example, respondents may attribute firm success to internal factors such as effort, ability or motivation and failure to external factors, such as the quality of support interventions (Kelly, 1973). Conversely, respondents may overstate the importance of the intervention in fear that any subsidies that have been available may be taken away in the future. This raises the issues of a further variable which has not been widely addressed in mainstream studies, the relationship that exists between the training provider and the recipient of the training intervention.

Although there is an intuitive belief that training leads to improved performance, this belies the complexity of the debate and has still to be effectively demonstrated. Further research needs to

learn from previous studies and overcome the methodological weaknesses that have been identified by amongst others, Westhead (1996), Westhead and Storey (1997), Marlow (1998). The general conclusions to be drawn from criticisms of previous research aiming to identify links between training and performance are that more resources need to be employed on qualitative studies which attempt to uncover the dynamics through which training activity feeds through into business performance outcomes.

### 3. A Contextual Framework in which Training Interventions might be Evaluated

On considering the function  $T=P$  where  $T$  equates to training and  $P$  equates to performance, it is clear that there are an array of factors that can influence this relationship. The training intervention creates a number of complexities that need to be addressed in the research design and these are further compounded by the heterogeneity of small firm owners, their management teams and the various contextual environments in which they operate. To clarify and comprehend the full impact of training interventions upon the firm, it would be useful to adopt a framework that encapsulates these diverse and sometimes conflicting variables. This paper has adapted a model that has been used by the Industrial Marketing Purchasing Group (Hakansson, 1982) to discuss the development of relationship marketing as a suitable framework upon which to base a research design. The model identifies four areas of analysis, the general business environment, the atmosphere that surrounds the association between trainer and trainee,



the interaction process that takes place and the make-up of the individual parties. It is argued that the analysis of these four areas are key to understanding the outcomes of the process whereby training interventions are assimilated, processed and employed by small firms. The ability to operationalise this model is compromised by the diverse nature of the variables that are contained within the framework. The model does, however, offer a starting point for research design and would facilitate the evaluation of future studies that seek to investigate the relationship between training and performance.

*(a) The firm's operating environment*

Research undertaken to investigate any relationship between training and performance must address the contextual environment in which the training has been delivered. It is essential that other factors that could shape business performance are fully accounted for if the research is to establish the relative importance of training as an influence on performance. The standard criteria by which performance is often judged, employment, sales growth and profitability are significantly affected by a firm's operating environment. The general economic climate, the level of competition, the availability of funds, the level of technical sophistication and social expectations are some of the factors integral to the operating environment that are likely to influence business performance, independent of any training intervention. This issue is compounded by the degree to which small firms can establish strategies to cope with some or all of these factors. Westhead and Storey (1996) indicate that the "small firm experiences considerably

greater external uncertainty than a large firm, primarily because its lack of power in the marketplace" (p18). This point is employed as part of an argument to explain that small firms will have lower levels of investment in training than large firms. It also helps to illustrate the fact that small firms have less control over their operating environment and have greater problems adopting strategies that could mitigate its effects. Any research which seeks to establish a causal relationship between training and performance must therefore, be aware of any adverse effects stemming from a firm's operating environment. Cosh *et al* (1998) allude to this point when they state:

*"although it was possible to identify a relationship between training and growth performance in the period 1987-90 it was not possible to identify consistent impacts of training in 1991 on performance in the five year period after that date. This may reflect the severity of the recession of the early 1990s, which could have led many firms with persistent training records in the past to reduce or abandon training provision"* (p2).

*(B) The atmosphere in which the training intervention is delivered*

The second contextual area identifies the 'atmosphere' under which the training is conducted, i.e. the relationship between the provider and the recipient. In its original sense, this is affected by the level of control existing between the two parties of a relationship and is associated with the degree of resource dependency and the closeness of the relationship. When considering the motivations underpinning the decision to invest in training, it is important to differentiate between events which prompt training interventions. A



firm that makes a decision to engage in training prompted by an external event, for example, a business crisis, or in order to access grants, or to keep to-to-date with regulatory change, may have different expectations of the training intervention, than a firm that has taken a strategic decision to develop its management potential. If investment in training were undertaken as a strategic decision, it should originate from an internal assessment of strengths and weaknesses within the organisation's resource base and would normally be associated with the exploitation of opportunities and/or the negation of threats. It might be expected that a decision to invest in training, based upon some notion of exploiting a strength or negating a weakness, would be more likely to have a closer association with changes in firm performance than a training intervention that supports the operational process or is borne out of necessity. In a study of management training, Welch (1996) found that most was of a specialist or technical nature and less than half was concerned with core management skills that respondents had identified as being deficient in their organisations. It might be questionable whether, in the majority of training interventions, the owner or management team have an expectation of improved performance as a direct outcome of that intervention. This is supported by Cosh *et al* (1998) who found that growth objectives were not significantly related to the provision of formal training.

It is also necessary to investigate the other side of the equation and understand the motivations and objectives of the training providers. Firms may be 'pushed' into training by the needs of providers to meet quotas and/or

deadlines that have been externally fixed and which control the revenue streams of the organisation and/or the training provider. In such circumstances, firms may not have made the decision to train on a strategic basis, but on the basis that the training being offered is comparatively cheap and on the assumption that training *per se* has a beneficial impact upon the business.

The preceding points indicate that the atmosphere under which training is undertaken will have an important effect upon the final outcome of that training. In order to evaluate the relationship between training and performance it is necessary to be cognisant with the motivations and objectives behind the decisions to undertake and provide training. These motivations and objectives may themselves be affected by the extent to which the parties in a training relationship trust and respect the knowledge and abilities of the other party.

*(c) The interaction process*

Training interventions take place under differing circumstances and the extent to which such interventions are developed into long-term relationships between training providers and firms will vary according to these circumstances. Training interventions vary in the knowledge or skills imparted, their duration, the types of employee involved, and the mode of delivery. Differences in these factors are likely to impact variably upon the performance of individuals and the firm. There are also differences in the objectives, delivery and impact expected of short-term as opposed to long-term training interventions; nevertheless, both could have an important role to play in the development of small firms:



Research that seeks to assess the relationship between training and performance must, however, differentiate between the various types of training intervention. It is important to realise also the difficulty that any research design would have in isolating the effects of one training intervention from another. As is highlighted in the literature on relationship marketing, the short-term or 'episodic' relationships are thought, in some instances, to become routinised over time creating a pattern of expected behaviour that is taken for granted and evolves into long-term contractual arrangements. So one training intervention might constitute part of a series of such episodes, and it is the complete training package that would need to be evaluated, not a single occurrence. It is quite possible that when researched as a complete package, a series of training interventions over a set period of time may create significant synergistic benefits that would not be identified from a 'snap-shot' survey. These benefits accrue from improved knowledge of the firm on behalf of the training provider, better personal relationships, greater trust, or via the various strands of knowledge and skills taught being drawn together.

An emphasis upon the interaction process could also assist in obtaining the qualitative evidence that is required to understand the processes through which training is translated into changes in business performance. It is clear that important factors in this process might be the social and technical organisation of work within the training provider and/or the enterprise. The training provider may well require flexibility of response, adaptability in terms of delivery and the ability to call upon bespoke expertise; to

take advantage of the training, owners and managers need to provide the resources necessary to translate new knowledge and skills into improved individual and firm performance. These issues are not the sole province of the interaction process, but integrate with the individual structures, systems and personalities of those providing and those receiving training. In any relationship there are factors that are specific to either party that limit or promote the successful development of that relationship.

*(d) Structures, systems and personalities of the training organisation, training provider and the training recipient*

● Training provider

There have been a number of studies that have suggested that the supply of training to small firms in the UK may be inappropriate (see for example, Vickerstaff, 1992; Westhead and Storey, 1996). A main concern being that the training available is based upon what can be supplied, not what is required/demanded and as a consequence, provision does not recognise the true needs of the sector. Criticism has also been made of the quality of training provider. It has been indicated that providers lack both the essential skills and knowledge to deal with the heterogeneity of the small firm environment (Johnson and Gubbins, 1992; Cambridge Small Business Research Centre, 1992). In addition, small firms have indicated that the training provision has not been conveniently provided either in terms of timing and/or location and that, in general, too little consultation has been made by those providing training with the recipients of that training (Kirby,

1990; Cambridge Small Business Research Centre, 1992). All of these criticisms contribute to a negative perspective on behalf of owner-managers leading to mental barriers against training because previous experiences have not lived up to expectations (Kirby, 1990; Vickerstaff, 1992).

Ignorance of available opportunities is also a critical issue regarding the degree of commitment to existing schemes. Fuller *et al* (1991), for example, have suggested that trainers do not provide sufficient information about training programmes and as a consequence owner-managers are unaware of training courses available. This point is emphasised in the study of the Small Firms Training Loan Scheme (Maton, 1999), where the main reason indicated for the low take-up rate of the scheme was a lack of awareness on behalf of respondents. In addition, owner-manager awareness and confidence has not been helped by the fact that previous training programmes introduced by the government have not had a particularly long shelf-life (Jennings *et al*, 1992).

- Owner/management team competence

Welch (1996) commented that *"the most successful and fastest growing small firms prosper, where others might not, by dint of their managers — what they do and how they do it"* (p22). In addition, a number of commentators (see, for example, Wilson, 1995; Jennings and Beaver, 1997) make the suggestion that the root cause of small firm failure is due to poor management 'competence' and thus if managers were to develop 'competency' more businesses would survive. Competence can be defined as the ability to utilise skills and knowledge in a work

activity which can be demonstrated by performance (see Beardwell and Holden, 1997 for a greater discussion) whereas competency is defined by Investors in People (1995) as *"the proven ability to perform to standards required in employment"* (p4). Rather than focusing upon formal qualification, standards of competence concentrate upon tacit skills and experience and the manner in which they are utilised to contribute to business durability. Banfield *et al* (1996) state:

*"... small businesses are lacking in important technical and managerial competencies, the absence or under-development of which leads to performance levels lower than could be attained, given the existing human and physical resources. As has been shown already, this could ultimately threaten the very existence of the enterprise"* (p97).

It would, therefore, seem pertinent for any study which aims to investigate the relationship between training and performance to assess the level of competence within the firm and whether such competences might be complemented, developed or even constrained through training opportunities. To develop or utilise existing competencies appropriately, both providers and recipients must be able to ascertain what degree of skill, experience and qualification already exists and consequently, what opportunities exist for owners and managers to develop greater competence.

- The influence of the small firm owner upon the decision to invest in training

It is agreed that there are differences in the performance of small firms relating to the characteristics of the owner (Birley and Westhead, 1990; Ram and Sparrow,



1998; Marlow, 1997; Moran, 1998). Owner characteristics will certainly have some influence upon the decision to commission training initiatives. It has also been suggested that the business strategy of a firm is often intimately linked to the personality of the owner-manager reflecting their priorities and characteristics (Welch, 1996; Moran, 1998; Perry *et al*, 1998) and again, it is not untenable to suppose that an element of strategy would be the employment of training to develop strengths and reduce perceived weaknesses in the firm. Matlay (1996) and Watson *et al* (1998) indicate that the background, experience, growth orientation and motivation of the owner are critical when making decisions to commission training and also in the way in which it is used and disseminated throughout the organisation. The characteristics of the owners and their perceptions of the value of training are clearly key to the decision to train, the areas in which training will be undertaken and how the training is then deployed within the firm.

● *How owners and managers learn, and their ability to assimilate training*

Gibb (1997) has proposed a different approach to exploring the nature of the learning process and what might be regarded as the learning needs of a small business. The traditional view, which suggests that learning is something that can be delivered rather than something that can be acquired, is challenged. It is suggested that this 'traditional' approach moves learning too far away from the context of its use and is, therefore, weak in helping managers to identify and use their subjective knowledge in improving their performance. The predominant contextual learning mode in this

environment is that of dealing with a wide (holistic) task structure; learning from peers; learning by doing; learning by feedback from customers and suppliers; learning by copying; learning by experiment; learning by problem solving and opportunity taking; and learning from making mistakes (Gibb, 1997). Knowledge, therefore, is required on a 'need to know', 'how to' and 'who with' basis. The challenge for the trainer, in this model, is to add value to the manager's learning from experience, in a way that gives wider 'meaning' to his/her experience. To meet this need requires the 'teaching' of small business in an enterprising and entrepreneurial way embodying networking, local and self-development knowledge into pedagogical practices (Gibb, 1998). In this sense the business constantly needs to know what it needs to learn, how it might learn it and who from, as such, the distinction between formal and informal training is blurred. A training intervention could be expected to assist in the creation of learning partnerships and learning circles and to help find new approaches towards understanding the context and process of business development based upon frameworks which describe: how entrepreneurs learn from their stakeholder environment; how the stakeholders learn from them; what both sets of partners 'need to know' and why (Gibb, 1997). This opens the way to measure 'added value' from 'training' in terms of how it reduces the transaction costs between the small business and its stakeholders.

**Conclusion**

There is considerable debate concerning the impact of training interventions upon the performance

outcomes in small firms. Whilst intuitively it is presumed that investment in training will enhance the performance potential of a small firm, there is very little empirical evidence to support this proposition. It is suggested that there are substantial problems in ascertaining any causal link between performance and training because of the heterogeneity of the sector, the difficulty of isolating the relevant variables and the methodologies employed to investigate any relationship between training and performance. As such, the majority of studies relating to these issues have been focused on small samples, undertaken over the short-term with a limited focus and fail to recognise the wide range of variables which impinge upon the training experience. It is not suggested that studies are not important in revealing experiences related to training and development initiatives, rather it is the possibility of such studies being able to indicate or identify significant links between the two which is questioned. If greater insight into such causal effects is to be obtained, it is argued that recognition of the considerable range of variables which impinge upon the relationship between training and performance is essential. These include the external context, the specific characteristics of the firm, its owner and management team, the nature and duration of the training intervention, the relationship between training provider and recipient and some analysis of the 'learning' experience. It is argued that an adaptation of the Hakansson model (1982) will go some way towards addressing the problems identified. It is undoubtedly difficult to address a problem when the question is being inappropriately and vaguely asked. The adoption of the above factors may help to

inform the small firm community and improve current understanding of the outcomes of any training interventions upon firm performance which should be interpreted as a wider range of outcomes than has been the case hitherto.

It is also clear that if the impact of training interventions are to be fully understood, the way in which the recipients learn must be considered. Gibb (1997) argues that training must be capable of developing learning partnerships and circles that interact with key stakeholders in the firm and offer both a facilitation and interventionist role. To meet this need requires the 'teaching' of small business in an enterprising and entrepreneurial way embodying networking, local and self-development knowledge into pedagogical practices (Gibb, 1993). Thus, the outcome of the training intervention is the summation of the interactions between training and recipient, rather than a one-way exchange of a discreet body of information or knowledge.

This paper has focused upon the contemporary debate surrounding the possibility of identifying a clear relationship between the input of training interventions into small firms and the outcome of improved performance. It has been argued that an impediment to establishing this relationship has been the inappropriate research methodologies employed, however, this is not to argue that such studies are not useful but rather, they cannot address this particular problem. To raise an issue of controversy, researchers should also consider a further problem. It would appear to be challenging to measure a causative relationship between training and performance in any definitive fashion.



Even using the model suggested, or expanding the range of variables it will always be feasible to suggest that generalisation is not possible because of the heterogeneity of the sector. So perhaps it is time to recognise the futility of such a task. Instead, perhaps it is more appropriate to identify positive outcomes from training and learning interventions that are advantageous for the enterprise in the widest sense, rather than seeking to demonstrate causal relationships.

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